

# **THE ROLE OF NON-FINANCIAL INCENTIVES IN B2B SALES FORCE MOTIVATION**

**A case study of a Finnish technology consulting company**

Master's Thesis  
in International Business

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# 1 INTRODUCTION

## 1.1 Background for the topic

Sales professionals operate in a fluctuant and challenging environment. Job related pressures come from both the company and the customers. In addition, the changing economic fluctuations directly affect sales jobs and at the same time the nature of the job consists of generating revenue even when the times are tough. To succeed eventually, motivation is one of the key factors in determining whether a salesman will be able to last in the high-pressure environment. Sales techniques, training, and the ability to sell are as well needed but motivation will separate the winners from the losers. (Donaldson 2007, 230.) The lack of motivation in a sales force, present various problems for any organization. Diminishing sales performance, increased employee turnover rates and low morale are just some of the problems of low motivation. (Donaldson 2007, 247.) If sales people leave due to the lack of a sound motivational mix, the company may also lose their most significant and most profitable key accounts, which can result in major financial losses (Martini & James 2012, 118). There is a need for a deeper understanding what drives sales people to do their absolute best in their various daily tasks set by the management.

Essentially motivation sheds light to the question why people behave in a certain manner. It also tries to answer the question what is the relationship of different stimuli and the resulting responses. (Guenzi & Geiger 2011, 395). For companies, motivation is worth value, simply because motivation produces (Ryan & Deci 2000, 69). Be it any kind of output produced by work, motivation has an essential role in driving production. Motivation is usually divided into two distinct types; intrinsic and extrinsic motivation. Through intrinsic motivation an individual is above all motivated by engaging and executing a task which is inherently motivating in itself with no outside influence. Extrinsic motivation emerges through the influence of the surrounding environment or a distinct, outside factor which guides behaviour in a certain way. (Dyer & Parker 1975, 455.) Motivation is driven, among other factors, by incentives, which are usually divided into non-financial incentives and financial incentives. More specifically, incentives tap into intrinsic motivation and extrinsic motivation and enhance the motivational force an individual experiences. Traditionally, financial incentives tend to influence extrinsic motivation and non-financial incentives effect intrinsic motivation, but there are no distinct boundaries of which motivation type they influence in particular. To sum, they can influence intrinsic or extrinsic motivation or both of the motivation types. (Amabile 1993, 190.)

The topic of non-monetary motivation and incentives is an interesting area for further study, because basic business strategies suggest that human resource departments and the top management want to lower employee turnover and elevate sales performance. If companies would be able to better motivate their sales staff through low-cost options, the usefulness of such incentives and tools would be essential for any company with a sales force. Furthermore, the implications for smaller firms can be vital in their survival, as non-monetary incentives may be the only possible way to motivate sales people and money-based remuneration for the salespeople is impossible. The economic realities in which employees operate and live their lives, would suggest that money is of utmost importance to any employee. Interestingly, Freifeld (2011, 18) states that the vast majority of sales jobs have pay-for-performance commission plans, so if money is such a good motivator, why all of the salespeople in the world do not try to maximize on their respective compensation plans.

## **1.2 Research purpose and sub-objectives**

Due to the nature of the sales job, monetary incentives tend to dominate the literature of sales management and non-financial incentives do not appear as frequently in the current literature. There is need to shed light to the non-financial aspects of motivation, because shifts in the economy effect the sales departments directly and fierce competition forces companies to be innovative in motivating their salespeople. The purpose of this thesis is to analyze and understand the role of non-financial incentives as a motivational tool in a Finnish company with a specific sales force. More specifically, the aim is to analyze and understand *what is the role of non-financial incentives in sales force motivation*. Furthermore, based on the interviews this thesis aims to add elements to the existing sales management theories on motivation. Therefore, the sub-objectives are the following:

- What are the non-financial incentives used in motivating sales people?
- Why non-financial incentives have motivational value?

First, the researcher attempts to answer what are the non-financial incentives used in motivating sales people. Answering this question will shed light to what are considered to be the best incentive practices currently used in sales management, but also in practice. Second, the researcher attempts to answer why non-financial incentives have motivational value to the sales people. In other words, to what underlying motivations do these incentives tap into and how do they work in terms with motivation. In the following chapters a wide theoretical framework is presented focusing on need-based content theories of motivation and cognitive-based process theories of motivation. To provide a holistic picture of motivation, sales people characteristics and incentive types are also presented.

## 2 THEORETICAL FRAMEWORK

### 2.1 Overview of motivation

Motivation is defined as “a reason or reasons for acting or behaving in a particular way” (Oxford Dictionary: Motivation, 2016). Motivation has its background in clinical psychology and in behavioral sciences from the early 20<sup>th</sup> century. Behavioral scientists disregarded the concept of motivation being merely a psychological phenomenon and studied motivation from the perspective of stimulating and predicting to achieve certain responses from subjects. (Latham 2012, 7–11.) A popularized example of this “stimuli-response” dichotomy is the carrot and stick strategy which is used widely from politics to business even today. In the early days of motivation studies little attention was given to human motivation and scientists began studying human motivation in work environment context more extensively in the 1970’s and 1980’s (Latham 2012, 12).

Motivation consists of three basic factors: *direction*, *intensity of effort* and *persistence*. *Direction* is the result of individual’s choice of what activity to pursue. *Intensity of effort* is an individual’s emotional and physical capabilities of reaching a chosen goal. And *persistence* can be described as a function of time which is spent in reaching a goal, task, or activity. (Latham 2012, 7; Weitz, Sujan, & Sujan 1986, 180.) Thus, people choose in what activity do they engage in, how hard are they willing to work to attain something and to what extent are they willing to pursue something.

Before Maslow’s (1943) publication of “A theory of human motivation”, the field of study did not have wide-spread theories of human motivation. This classic theory ignited the emergence of motivation theories and researchers built upon the earlier findings to truly understand the nature of motivation and its inner processes. (Latham 2012, 27.) The need to understand and analyze what moves people to act and how to effectively motivate people has understandably become the cornerstone of today’s business management policies.

Understanding whether people act a certain way because of external pressure stemming outside of an individual or an internal want and desire, lays the basis for understanding human motivation. These internal or external catalysts for motivation are more commonly known as *intrinsic and extrinsic motivation* (Ryan & Deci 2000, 69–70).

Dyer and Parker (1975, 455) present intrinsic and extrinsic motivation as follows. *Intrinsic motivation* is directly related to the performance of the task or the job itself. For example, a salesman can be intrinsically motivated by the act and process of selling products or services to the customer. Intrinsic motivation is often described as the execution of certain activities, with no visible external motivators governing the decision-making (Latham 2012, 106). Intrinsic motivation can also be explained as one’s perceived



value of the work itself and extrinsic motivation as the possibility to receive valued, exogenous outcomes from executing work tasks or activities. Motivators contributed to effect intrinsic motivation are self-determination, competence challenge and task involvement. Also, interest, enjoyment in the task and curiosity are aspects related to intrinsic motivation. (Amabile 1993, 186.) *Extrinsic motivation* on the other hand emerges from the surroundings and environment in which the task or job takes place. Hence, the execution of tasks with a controlling factor in the background is the essence of extrinsically motivated individuals. Extrinsically motivated salesmen are for example motivated by money or benefits. Extrinsic motivation is often fueled by recognition, competition, outside evaluation, money, contests and commission. (Amabile 1993, 190.)

Both aspects of motivation tap into an individual's need satisfaction. Intrinsic motivation satisfies needs more immediately as workers are motivated through engaging in an interesting and fulfilling activity. On the other hand, extrinsic motivation is fueled by the possibility of a valued outcome or reward as a result of engaging in a work activity. The valued outcome in extrinsic motivation is also linked to one's need satisfaction, but more indirectly. (Depedri, Tortia, Carpita, & Euricse 2010, 8.) The link to the need satisfaction stems from the resulting reward, but not from engaging in a work task itself.

There has been debate amongst researchers what is the nature of the relationship of intrinsic and extrinsic motivation (Latham 2012, 107). Most notably Ryan and Deci (2000, 72) suggest that externally imposed motivators have a decreasing effect on intrinsic motivation. Deci (1973, 31) also states that extrinsic motivators decrease intrinsic motivation, because when an outside reward or threat is issued, one feels less in control due to the outside pressure to act in a certain way. The inherently interesting and fulfilling task becomes less motivating, because an outside factor is now governing the behavior. Amabile (1993, 194) brings up the concept of *motivational synergy* and *extrinsics in service of intrinsics*. According to her, extrinsic factors can enhance intrinsic motivation if they do not undermine one's self-determination in a task. Extrinsic motivators can affect positively to intrinsic motivation if they support one's competence in the task or make the task itself more interesting. To sum, only certain external motivators can have positive effects on one's intrinsic motivation, granted that they do not interfere with one's feelings of control and autonomy in the task. Other types of extrinsic motivators undermine one's intrinsic motivation and thus do not work synergistically with intrinsic motivation. For any individual working with complex work tasks both intrinsic motivation and well-imposed extrinsic motivation will result in successfully completed work tasks and highly motivated individuals. (Amabile 1993, 196–197.)

In the following paragraphs, several motivation theories are discussed. Two main theoretical paths of motivation literature, content theories and process theories, are

presented to build an understanding of human motivation and motivation in a work context.

## 2.2 Main theoretical approaches of motivation

### 2.2.1 Content theories

The theories of motivation are usually categorized depending on whether the theory taps to an individual's inner attributes of needs or focuses more on an individual's interactions and relations with the surrounding environment and people. The former set of theories are content theories, which revolve around an individual's needs, aspirations, and desires. (Wilson 1999, 145.) These theories assume that all individuals have needs but differ in terms of what these needs are more specifically (Fincham & Rhodes 2005, 193). Content theories attempt to explain what ignites or starts certain behaviors in humans (Berl & Williamson 1987, 53). Thus, the underlying question behind content theories is how motivation emerges in humans. The main need theories are presented in the following paragraphs.

Maslow's (1943) **Hierarchy of Needs theory** is commonly regarded as the most fundamental theory of human motivation. It provides a well-established picture of basic human needs and motivation. Maslow's hierarchy is usually presented in a form of a triangle and at the bottom of the pyramid he presents *physiological needs*; food and water. Once a need is fulfilled, it ceases to be important to an individual and other needs surface as the determinants for motivation. (Maslow 1943, 372–275.) Moving upwards in the pyramid, Maslow brings up *safety needs* as the following determinant of motivation. For an individual, safety and security are now of utmost importance. Everything else is secondary. According to Maslow (1943, 378–380) in a modern civilized society the most rudimentary safety needs are usually fulfilled, as the society protects humans from dangers such as tyranny or murder. In a work life context, safety needs are an individuals' need for job security, insurance policies and medical plans. These two constitute the two basic human needs on top of which the remaining higher needs are based on. The following pyramid in figure 1 illustrates the hierarchical nature and relation between lower order needs and higher order needs of individuals.



Figure 1 Hierarchy of needs (Dinibutun 2012, 133)

As seen in figure 1, if the two basic needs, physiological needs, and safety needs, are fulfilled; the next emergent determinant of motivation is the *need for love, relatedness, and belongingness*. This determinant in human behavior stems from the need for affection, social networks, and social interaction. (Maslow 1943, 380–381.) In a work environment, this need is fulfilled if an individual has good colleagues or well-established customer relations.

Fourth need presented by Maslow is the *self-esteem need*. According to Maslow (1943, 381) almost every human being has a want to be highly evaluated by another in their respective social environment. Self-respect and respect from others present the basis for this determinant of motivation. This need can be divided into two sub-sets. First set consists of confidence and the desire for strength and achievement. The second on the other hand consists of the need of a good reputation and recognition in the eyes of the social circles one is embedded in. Feelings of self-worth, respect from others and being useful in a work environment are needed to fulfill the self-esteem need. If this factor is not adequately fulfilled feelings of unimportance and worthlessness may arise which hinders employee motivation in a work place. (Maslow 1943, 382.)

The fifth and final need presented in Maslow's (1943, 382) work is the *need for self-actualization*. This need presents the most abstract one in Maslow's hierarchy. Self-actualization can be described as an individual's process of fully developing and realizing their fullest capabilities in whatever they are engaging in life (Merriam Webster: Self-Actualization, 2016). Self-actualization may take different forms depending on the

individual and can vary from being the worker of the month to achieving continuously sales goals set by the organization. To add, it can be hard to study or state self-actualization, because it is difficult to say with certainty if an individual is satisfied to their fullest capacity. (Maslow 1943, 383.)

Even though Maslow has presented a hierarchical structure of needs and desires, it must be stated that these needs are not set in stone. They can be fluctuant and for some people higher needs may override the more basic needs, and the basic needs become irrelevant. For example, for some individual's self-esteem may be more important than the need for love and relatedness. Also, the needs are not necessarily fulfilled to their fullest extent and it varies individually whether a higher need emerges at any given time. The emergence of a new need is gradual, and a time and place cannot be stated when a new need arises. (Maslow 1943, 386–388.) To conclude, Maslow's hierarchy of needs is strongly based on clinical experience and does not present an ultimate reality of motivation (Maslow 1943, 371). Nevertheless, there are two key relevant issues in Maslow's work. Firstly, needs are dependent on the individual and second, these needs may vary in time and strength depending on the situation.

**The Dual-Factor theory** originally researched by Herzberg, Mausner and Snyderman (1966, 51–57) approach motivation by analyzing the factors which lead to either positive and negative attitudes towards the job. They also sought to understand what factors made a change in a person's job satisfaction and job performance. Furthermore, the aspect of motivation is derived through job satisfaction and dissatisfaction. Herzberg et al. (1966, 111) came to a finding that different factors effect job satisfaction and different factors effect job dissatisfaction. Below in figure 2, the motivator and hygiene factors are presented more distinctively.

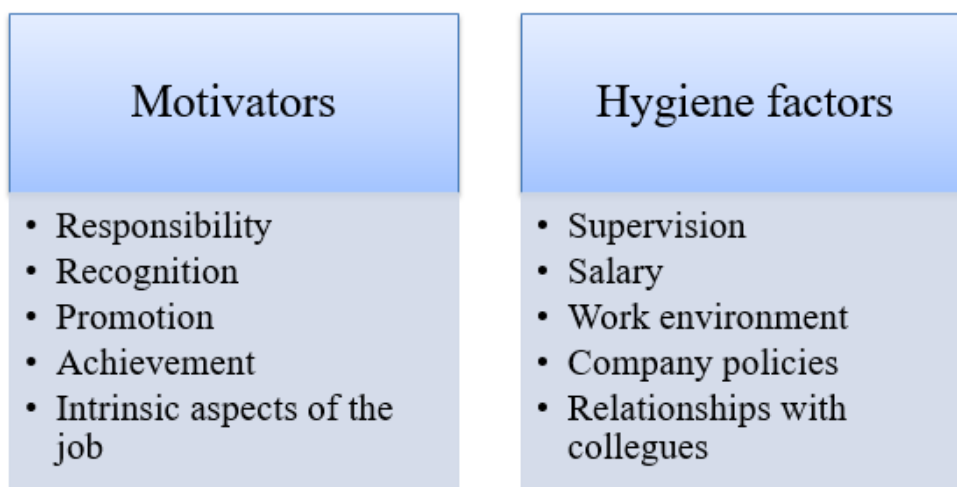


Figure 2 Herzberg's dual-factor theory (modified from Fincham & Rhodes 2005, 200)

As illustrated in figure 2, the researchers formulated two different sets of factors which effect the satisfaction or dissatisfaction of employees: *motivators* and *hygiene factors*. The *motivators* are associated with the job itself and the *hygiene factors* are found to be associated with the surrounding conditions in the work environment. The motivators lead to positive work satisfaction and increase an employee's work motivation. Ultimately, these factors lead to the satisfaction of one's self-actualization needs in a work environment and thus, there is a close tie to Maslow's theory of hierarchy of needs. (Herzberg et al. 1966, 114.) The motivators are given responsibility, recognition, achievement, the work itself and opportunities in career advancements (Herzberg et al. 1966, 117). The hygiene factors include work supervision, social relations, physical working conditions, salary, organizational policies, management practices, benefits, personal factors and job security. The hygiene factors are based loosely on Maslow's (1943) physiological needs, safety needs and needs of relatedness. (Herzberg et al. 1966, 113; Berl & Williamson 1987, 56.) If the previously mentioned hygiene factors are below an employee's threshold of acceptance, job dissatisfaction arises in the work force, leading ultimately to bad motivation. However, according to Herzberg et al. (1966, 114) enhancing these hygiene factors does not lead in better motivation in the work force. To sum, the hygiene factors need to be in place and reach a sufficient level for employees to be satisfied.

In their work Herzberg et al. (1966, 132) present a few concrete suggestions to improve the motivational environment of an organization. First, jobs should be structured in a way which supports the employee's abilities in achieving goals set by the organization. Nevertheless, achievements can be seen only partially rewarding and self-actualization only emerges when an accumulation of achievements is present. (Herzberg et al. 1966, 133.) Second, their findings suggest that making a job more interesting is crucial in motivating employees and keeping their levels of engagement to the job at an acceptable level. Third, the researchers suggest selecting employees in the recruitment process, who have abilities suited to successfully execute their job responsibilities. (Herzberg et al. 1966, 143–134.) Fourth, Herzberg et al. (1966, 136) bring up the need for participatory work processes, so that employees can participate in formulating the different aspects of their work. The researchers present that an employee can participate in planning and organizing how do they achieve set goals but cannot participate in goal-setting.

Ewen (1963, 163) has criticized Herzberg and states that the groupings of motivators and hygiene factors is not clear and may vary depending on the job. He also presents that in a replication of Herzberg study, some hygiene factors such as salary contributed positively to job satisfaction and acted as a motivator. Ewen (1963, 63) however supports the notion of the work itself being a motivator. Contradicting with Ewen's (1963) and Herzberg's (1966) study findings, in a study focusing on the dual factor theory's applicableness to sales people, the hygiene factors operated also sometimes as motivators.

These are for example salary and the possibility of improving one's lifestyle. The work itself presented as a motivator by Herzberg was found to be a factor of dissatisfaction and had hygiene factor characteristics. However, the researchers support Herzberg's (1966) aspects of doing the job satisfactorily, praise and recognition and the possibility of a promotion as motivators. (Shiplely & Kiely 1986, 14.)

Building upon Maslow's (1943) and Herzberg's (1966) need theories, the **ERG theory** divides needs into three different categories, which are *existence needs*, *relatedness needs*, and *growth needs*. As stated previously, Maslow's hierarchy of needs is based on the progressive nature of moving from a satisfied need to the next level of unsatisfied needs. Although Maslow admits that the needs are not necessarily rigidly organized, they still do have a ladder-like pattern of need satisfaction followed by an emergence of an unsatisfied need. The ERG theory, on the other hand, suggests that needs are organized in a continuum and can shift more freely from one need to another. The movement from one need to another is more of a reoccurring pattern than in Maslow's hierarchy of needs. Unlike in Maslow's need hierarchy, the ERG theory states that when an individual experiences frustration in the fulfilment of a need, there is a shift to a lower need. (Fincham & Rhodes 2005, 198-199.) Also, contradicting the classic view of need hierarchy, when ERG theory's need is satisfied, it can still continue to motivate employees. Originally Maslow presented that when a need is satisfied it ceases to motivate an individual. (Dinibutun 2012, 134.)

*Existence needs* have similarities with Maslow's psychological and safety needs. In a work environment salary and physical working conditions fall into the existence needs. The second group of needs, *relatedness needs*, consist of one's will to develop strong relationships with other people. The desire to have a well-established social environment and feel respected and respected by others are the key elements of relatedness needs. Maslow's (1943) social needs are similar in their nature with the ERG theory's relatedness category. The final grouping of needs, *growth needs*, refer to one's overall development as a person, fulfilment of goals and self-actualization. (Arnolds & Boshoff 2002, 698.) ERG theory is regarded to be an updated version of Maslow's preliminary research of one's need hierarchy. It has been widely credited mainly because it focuses on job motivation and discusses the presented aspects in a work environment. (Arnolds & Boshoff 2002, 698.)

The **Self-Determination theory** (SDT) consist of three different aspects, which can be found inherently in humans and emerge from the inner psychological processes. In the self-determination theory context needs are innate, in other words something which are psychologically glued to human existence since birth. (Deci & Ryan 2000, 231.) These features are the *needs for competence*, *relatedness*, and *autonomy*. The theory suggests that when these needs are fulfilled individuals can experience personal growth, elevated motivation, and general well-being. The role of the surrounding environment, be it

controlling incentives or work policies, can interfere with these three needs and damage personal motivation and growth. (Ryan & Deci 2000, 68–69.) Self-determination theory focuses on the innate nature of intrinsic motivation, though disregarding how it is formed, but rather answering questions of how to sustain and enhance intrinsic motivation. A sub-theory of the self-determination theory, cognitive evaluation theory (CET), attempts to answer what factors support and disrupt the emergence of human intrinsic motivation. (Ryan & Deci 2000, 70.) In other words, what environmental factors should be in place for innate intrinsic motivation to thrive.

The *need for competence* reflects people's craving to prove and improve one's capabilities. Feelings of competence are categorized into two sets: challenge and skill, and feedback. To satisfy this need people must be designated challenging yet attainable work tasks, which can be executed with the current skill set they possess. Feedback works as a concrete tool in getting knowledge of the work results. The feedback must be directed to the individual responsible of the task from an authoritative figure in the workplace. (Cerasoli, Nicklin, & Nassrelrgawi 2016, 783–784.) When these needs are satisfied intrinsic motivation emerges within the individual. It is to be noted that the lack of adequate and truthful feedback has the adverse effect on the individual.

The *need for relatedness* suggests that it is vital for any human to seek social interaction and exist in some social environment (Deci & Ryan 2000, 253). The importance of interaction with other people and being value by others is thus similar to Maslow's (1943) classic hierarchy. Well-established relationships and acceptance of others are important aspects of the need for relatedness (Cerasoli et al. 2016, 748). The relatedness need seems to be very fundamental human need considering the current tendencies of our society in general, not just from a motivation theory aspect.

The *need for autonomy* describes peoples need to be in charge of their life and environment. Individuals want to psychologically feel that they are responsible for their own behavior and can through their own decision impact the outcome of things around them. When forceful or coercive policies disrupt the need for autonomy, intrinsic motivation to engage in a behavior declines. Thus, the need is not satisfied. The researchers suggest that if a behavior is even partially effected by outside constraints intrinsic motivation suffers. (Cerasoli et al. 2016, 783.) As presented in figure 3, all of the content theories can be allocated in the initial pyramid shape presented earlier by Maslow. As seen in figure 3, the different content theories overlap in nature, but still have their unique features and viewpoints on need-based motivation.

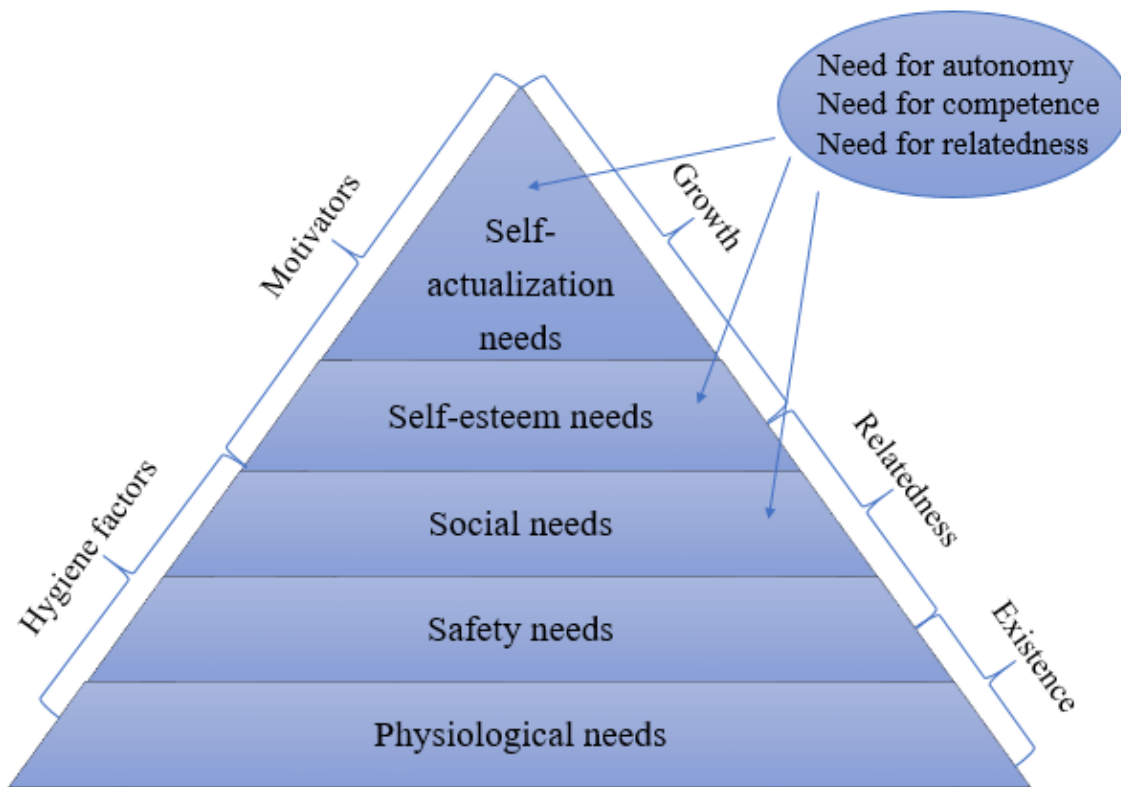


Figure 3 Relationships between the content theories of motivation (modified from Berl & Williamson 1987, 62)

The content theory pyramid in figure 3 above indicates the similarities of both content and structure of the discussed theories. The included theories are *hierarchy of needs theory*, *dual-factor theory*, *ERG theory* and *self-determination theory*. Maslow's hierarchy of needs theory lays the foundation on which other theories have been built upon. The dual-factor theory's hygiene factors overlap Maslow's physiological needs, safety needs, and social needs. Motivators on the other hand are linked to the higher echelons of the pyramid; self-esteem needs and self-actualization needs. The ERG theory's existence, relatedness, and growth needs are less strictly situated in relation to the Maslow's hierarchy pyramid as the ERG theory suggests that needs are more fluid and wave-like in nature (Fincham & Rhodes 2005, 198-199). Finally, the elements of the self-determination theory link to the "higher order needs" in the presented pyramid. The need for autonomy, competence and relatedness cannot be clearly and simplistically mapped out to a restricted part of the content theory pyramid, but all are can be considered to be linked to higher needs in human motivation.



### 2.2.2 Process theories

The second category of motivation theories, process theories, seek to explain and analyze the psychological process by which motivation is formed. More specifically, process theories study why people engage in certain courses of actions over many other available alternatives. Understanding how individual decision-making systems work and what is the resulting behavior are the key factors of process theories. (Berl & Williamson 1987, 53; Nasri & Charfeddine 2012, 170.) Process theories also underline the differences in individual needs. Motivation is the result of one's cognitive processes, interpretations of alternatives and perceptions of different outcomes of behavior. (Wilson 1999, 145; Fincham & Rhodes 2005, 193.) Thus, the key question is why motivation emerges within individuals.

**The Expectancy theory** approaches the theme of motivation by conceptualizing the choice of behaviour in relation to the perceived possibility of a favorable outcome. Individuals choose a certain action over many other alternatives, because they believe that the outcome will be favorable to their benefit. The motivation stems from the perceived desired outcome of a chosen behavior. (Chen, Gupta, & Hoshower 2006, 180.) The theory has been mainly credited to Vroom (1943). Vroom identified three aspects which influence total motivation and the choice of behavior made by individuals. These factors are *expectancy*, *valence*, and *instrumentality* (Vroom 1964, 15-19), which are presented below in figure 4.

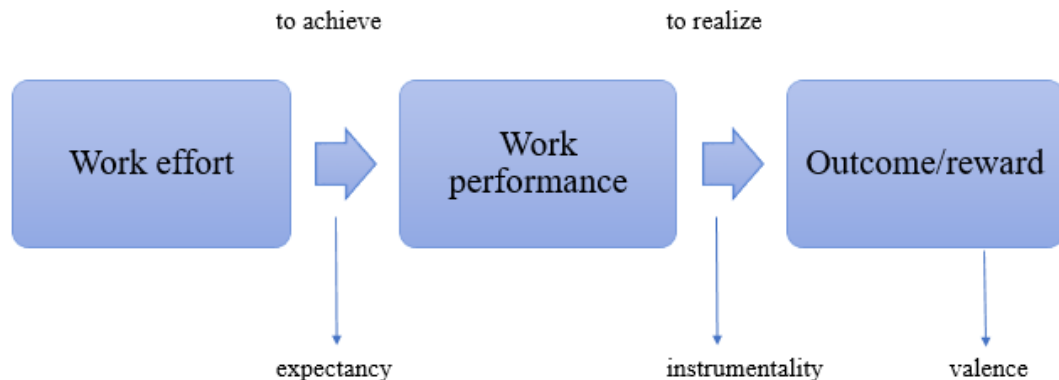


Figure 4 Expectancy theory, (modified from Dinibutun 2012, 136)

The first factor presented in figure 4 above is *expectancy* and it can be described as an individual's belief that engaging in one type of behavior over other alternatives will result in a certain outcome. The term consists of different factors which define how strongly the total expectancy presents itself. Self-efficacy is the individual's perception of abilities and skill needed in attaining a goal. Goal difficulty is the cognitive feeling whether the

goal is reachable in general. (Nasri & Charfeddine 2012, 171.) *Valence* is the value individual's give to different outcomes resulting from behavior. The higher the perceived valence of an outcome, the more probable that one will choose certain behavior. *Instrumentality* is defined to be the belief that when outside performance goals are met, the individual will receive a valued outcome. (Vroom 1964, 15–19; Latham 2012, 48.) Instrumentality is affected by one's trust in the rewarding parties and control over the situation (Nasri & Charfeddine 2012, 171). An outcome for an individual may be a reward such as pay or non-monetary outcomes such as recognition or feedback (Oliver 1974, 244–245). Total motivational force experienced by an individual is the result of calculation between expectancy, valence, and instrumentality (Fincham & Rhodes 2005, 208).

Wahba and House (1974, 143) have supported the statements made by the expectancy theory but criticize the theory of simplifying individual's abilities of assessing one's skill level, abilities, and criteria for making a choice. Furthermore, the theory seems to work better in laboratory experiments than in field studies. Another common criticism of the theory suggests that workers are not able to comprehensively calculate the different aspects effecting their decision making. (Wilson 1999, 155.)

To sum, the theory revolves around the assumption that individual's cognitive processes evaluate the value of a reward, the probability that an effort will lead to a desired outcome and the probability of meeting performance goals, thus getting a valued reward. A salesman may value money, believe that cold-calling will lead to increased salary and meeting sales quotas will result in a desired reward.

Locke and Latham (1990) introduced the **Goal Setting theory** in their book "A theory of goal setting and task performance". The theory defines a goal as the aim or object of a chosen behavior (Locke & Latham 1990, 7). Goals can be divided into two factors, which are *content* and *intensity*. The content of a goal refers to the aimed end result of a behavior choice. In a work environment, a sales target or a quota represent goals for an individual or a team. Goal intensity reflects the expended effort in goal setting, how attainable a goal is, and how committed one is on reaching the goal. The theory suggests that goals must be specific, attainable, and challenging. Goals can be set individually, communally or set by an authority. (Locke & Latham 2013, 5.) For example, salesmen merely aiming to do their best will result in low performance and motivation to the detriment of the company. The different features and parts of the goal-setting theory is presented below in figure 5.

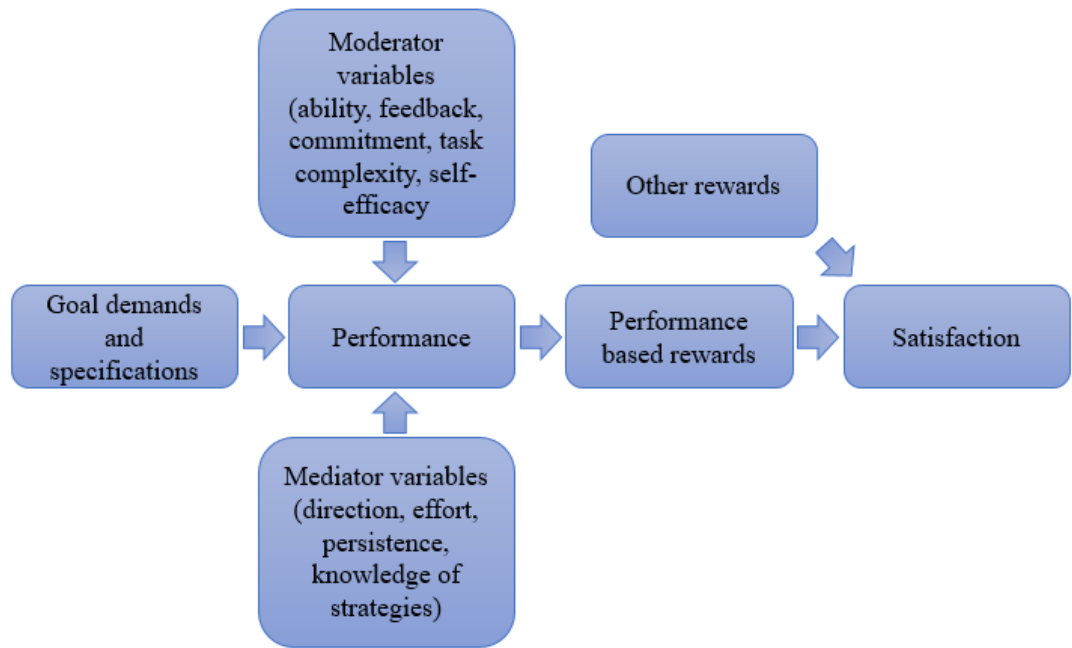


Figure 5 Goal setting theory (modified from Miner 2005, 168)

Findings indicate that there are certain processes which explain why high goals improve performance. Also, as seen in figure 5, the theory introduces moderator variables and mediator variable which either enhance or weaken the relationship performance and goals. The former set mentioned above are also called goal mechanisms, which explain why a well-set, difficult goal leads to work performance. (Locke & Latham 2013, 5–6.) The goal attainment mechanism is based on the basic determinants of motivation: choice, effort, and persistence. Adding to the basic goal attainment factors, knowledge and strategy of how to approach the work process are needed for successful goal completion. (Locke, Shaw, Saari, & Latham 1981, 145.) The process can be described as follows. Goals force employees to engage in the activities which are needed to be done in order to attain the goal successfully. At the same time, employees shift away from irrelevant activities or other choices of action. Subsequently, an individual’s effort is expended solely for the purpose of reaching a desired goal. And finally, if the goal is well set and difficult, employees will persist rigorously to achieve it. An individual may choose the right action, expend much effort and persist continuously, but if a working strategy is not set, a goal cannot be reached.

The second set of variables are called moderator variables which effect the goal-performance relationship either positively or negatively. These variables are present either within an individual or stem from the surrounding environment. First, individual ability defines whether one is capable of attaining a goal. Thus, it is important to be able to assess an employees’ ability level and set a difficult, yet reasonable goal. Second, performance feedback reflects whether an employee’s choice, effort, persistence, or

strategy are adequate in relation with attaining the goal. The feedback process enables goal refinement and employee training in the goal processes which need attention. Another crucial moderator in the goal-performance relationship is commitment. Higher commitment leads to higher performance and vice versa. Commitment can be influenced force example by authority, incentives, and punishment. (Locke & Latham 2013, 7–8.) Other variables which have effect on the goal-performance relationship include task complexity, self-efficacy situational constraints, and personality (Locke & Latham 2013, 9).

The suggestion of increased goal difficulty leads to higher performance contradicts findings of expectancy theory. As previously discussed, the expectancy theory would suggest that the harder the goal or outcome, the lower the belief that a behavior will produce the desired outcome. (Miner 2005, 163.) Thus, there would be a negative relationship between expended effort an outcome. However, Locke & Latham (2013, 11) bring up the term self-efficacy, which refers to one's belief in the capability to execute different work tasks. It is thus similar to expectancy but is wider in scope (Miner 2005, 163). Another link to the expectancy theory, is the notion that incentivizing enhances individual or group commitment (Locke & Latham 2013, 8), as incentives usually have valence for the two groups. The perceived value of the incentive indirectly forces people to be more committed, as there is a possibility of a reward.

Contrary to Deci and Ryan's (2000) self-determination theory, it is irrelevant for goal commitment whether goals are assigned or self-set. They both are just as effective. The advantage of a self or participatively set goal is that it may be higher in terms of difficulty than an assigned goal. As noted previously, according to the theory this leads to higher performance. (Locke & Latham 2013, 9–11.)

Hackman and Oldham's (1976, 250) **Job Characteristics theory** sheds light to how to design work effectively for motivation to be enhanced in the workforce. The job characteristics theory consists of both; the needs and the processes in which motivation occurs. Evidently, the theory is derived from Maslow's hierarchy of needs theory and from the expectancy theory of motivation (Miner 2005, 76). The model consists of five *job dimensions*, which in turn affect three *psychological states* leading finally to certain *work outcomes*, all of which are illustrated in figure 6.

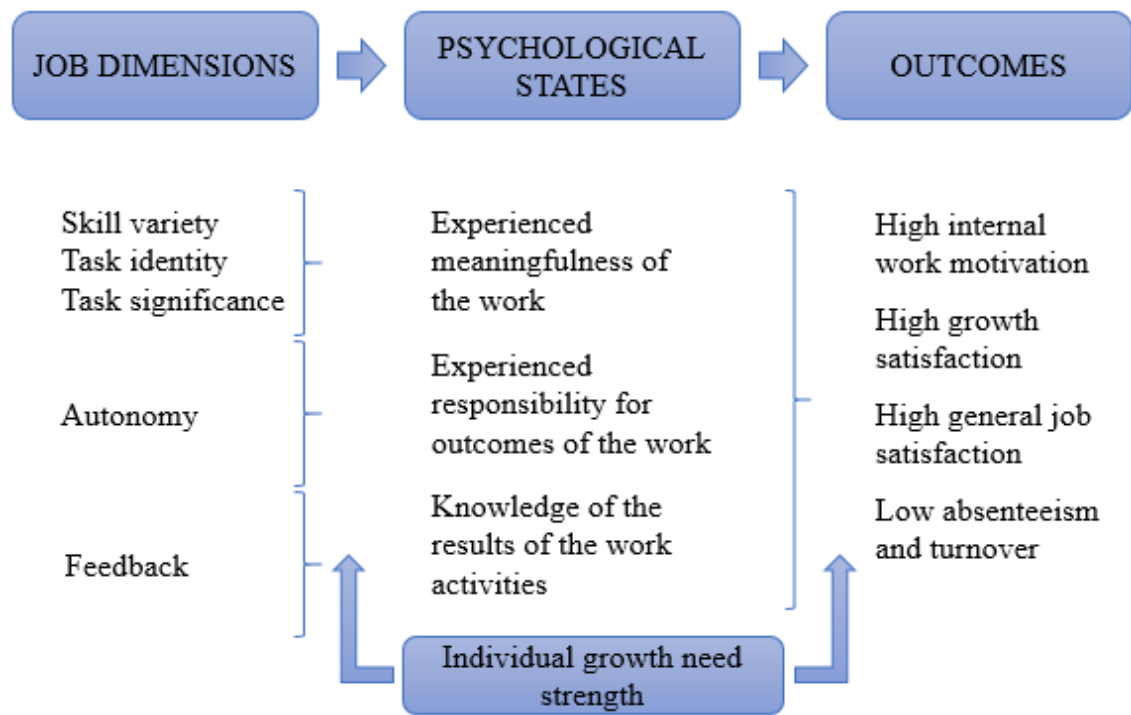


Figure 6 Job characteristics model, (modified from Hackman & Oldham 1976, 256; Miner 2005, 78)

The three psychological states at the core of the model are all needed for an individual to experience positive feelings in work setting. As presented in figure 6 above, if an employee perceives the work to be important (experienced meaningfulness), has control over the given tasks (experienced responsibility), and is able to develop and learn (knowledge of the results), the psychological outcome will result in enhanced motivation. These positive psychological states reinforce the employees desire to perform well continuously and act in an incentivizing manner. (Hackman & Oldman 1976, 255–256.)

The psychological states are affected by the core *job dimensions* as presented in Fig. 6. *Skill variety* reflects the degree of required skills to perform different, changing work activities. Thus, the job must be challenging in a way that it tests the employee’s different abilities and hence is considered to be meaningful and fulfilling. *Task identity* represents the notion that the job should be clearly defined and can be completed with visible end-goal. *Task significance* refers to the degree to which the work task plays a significant part of the organizations activities and effects other people’s jobs. (Hackman & Oldham 1976, 257.) These three job dimensions combine with one and other to determine the experienced meaningfulness of a job.

The job dimension of *autonomy* fuels positive feelings of responsibility for the outcomes of work. Autonomy can be described as individual freedom, independent work and possibility to make self-thought choices, without outside pressure or imposed rules. The psychological state of heightened experienced responsibility will occur if work tasks

are executed through making individual decisions and paths of actions. More importantly, the work outcomes will be the result of autonomous decision-making, rather than through managerial guidance. (Hackman & Oldman 1976, 257–258.) *Feedback* as a job dimension links to the worker's knowledge of results and gives information on how the worker has performed and how the worker may enhance their performance in the future. If constructive feedback is given, the worker will be able to develop in their work tasks. (Hackman & Oldham 1976, 258.)

*Individual growth need strength* presented in Fig 6. acts in a moderating manner in the model. Due to differences in individuals' need for growth and personal development, high or low growth need strengths impact have effectively individuals experience the mentioned psychological states and the outcome variables. Individuals with a higher need for personal growth tend to better experience the psychological states than people with lower growth need strengths. Also, the process between experienced psychological states and the resulting outcomes of work is affected by this moderator. Individuals with higher growth needs tend to react with even more enhanced motivation than people with lesser needs for growth. The *work outcomes* are the end results of the job characteristics model, which are high internal work motivation, high growth satisfaction, high general job satisfaction, and decreased absenteeism and turnover. (Hackman & Oldham 1976, 258–259.)

Morgeson and Humphrey (2006) have complemented to Hackman and Oldham's (1976) Job Characteristics Theory stating that the theory does not take into account sufficiently the *social characteristics* of motivation and job design. *Social support* and *interaction outside the organization* should be given attention when analyzing job design and motivation. Social support is considered to be the degree to which the work itself allows for opportunities in advice seeking from peers and managers. Also, the possibility for in-work friendship and camaraderie are found to be meaningful aspects of social support. Interaction outside the organization refers to the degree to which there is opportunities for workers to interact with individuals and teams, external of their immediate work place. This includes suppliers, customers and any entity relevant in the work. (Morgeson & Humphrey 2006, 1324.) Especially, *social support* is found to be an essential factor in making the job interesting and more motivating (Morgeson & Humphrey 2006, 1335).

## **2.3 Motivating the sales force**

### **2.3.1 *Characteristics of sales people***

Sales jobs are often unique in nature due to different products and services, clients, quotas and selling strategies, so it is hard to definitively state common characteristics between salespeople. Different characteristics and behavioral choices are needed depending on the situation. Salespeople have had to acquire a vast amount of skills from profit orientation and strategic decision-making to all-encompassing communication abilities. (Donaldson 2007, 59.) The notion of any definitive, ideal characteristics for a sales person has not been supported by sales researchers (Anselmi & Zemanek 1997, 539; Donaldson 2007, 59). Nevertheless, to understand the sales team, sales managers are trying to motivate using different incentive schemes, it is important to look at some of the shared characteristics salespeople tend to possess.

Sales researchers agree to some extent that salespeople tend to have good interpersonal relationship skills and polite manners. Also, they are often enthusiastic, punctual, good verbal communicators, socially smart and achievement oriented. (Anselmi & Zemanek 1997, 540; Chonko, Enis & Tanner 1992, 394.) Mayer and Greenberg (1964, 119–121) define two characteristics of a successful salesperson; empathy and ego drive. Empathy is needed in order to feel what the client is feeling and possibly adapting the selling to it. Ego drive refers to a salespersons' need to accomplish the sale, for his or her own egocentric purposes, not just for the money.

According to Donaldson (2007, 61–62) salespeople and sales managers themselves believe that there are some common characteristics between salespeople. These are enthusiasm, confidence, intelligence, and self-worth. Enthusiasm is a personality trait, which can be troublesome to measure. Enthusiasm is the individual capability and willingness to start and complete given task with a positive attitude.

Enthusiastic salespeople face rejection and obstacles, but still are able to motivate themselves to engage in tasks rigorously. Confidence is the belief in one's own abilities to succeed in the given task. Successful salespeople believe in their products and the company in a way that send the buyers a positive message of the selling situation. And finally, self-worth refers to salespeople wanting to achieve status, self-esteem and sociability in their work. Self-worth is similar to the previously mentioned ego characteristic of salespeople. (Donaldson 2007, 61–62.)

Personal characteristics have been neglected in the sales management and marketing literature in terms of which kind of sales people prefer certain reward types. This is troublesome for organizations as motivation emerges individually with different needs and motivational processes governing the made choices. (Ingram & Bellenger 1982, 82–

83.) In order to better motivate sales forces Ingram and Bellenger (1982, 86) group sales people to three different groupings depending on how they perceive rewards and incentives. This way incentives do not have to be totally personalized suiting each individual. Through grouping similar kinds of people to motivational segments organizations can save time and resources by streamlining their motivational plans. The first group is “comfort seekers”. This group consists generally of older, well-paid, but less educated sales people. The “comfort seekers” prefer above all job security, respect from others and being liked at the work place. The second group, “spotlight seekers”, consist also of older sales personnel, who earn less and evidently favor pay raises and recognition from others. This group is not motivated through personal growth or respect from other staff. The third group, “developers”, represent a younger demographic, who are highly educated. Above anything else, this group desires personal growth professionally. Little concern is given to job security or pay raises. Professional development is valued, as it provides tools for future endeavors possibly in other organizations. (Ingram & Bellenger 1982, 86.)

### ***2.3.2 Specific characteristics of motivating the sales force***

Sales jobs tend to be more unstructured in their nature than other jobs in the company. Sales positions usually involve acquiring new customers, taking care of existing accounts, travelling to meet the clients, reaching sales quotas and reporting sales figures. Salespeople have a lot on their plate and the tasks are different in nature, requiring different skills and abilities to handle them satisfactorily. Also, salespeople tend to extend themselves to activities, which are not contractually forced upon them. For example, interacting with clients during non-office hours and working extra hours to reach a difficult sales quota. Also, the degree of autonomy is very high compared to non-sales jobs. To sum, sales jobs have a lot of non-conventional aspects, which make the jobs different from other work posts and environments. (Guenzi & Geiger 2011, 404; Fu 2015, 31.)

Although the distinctiveness of the sales job itself makes motivating sales people different from motivating other employees, motivation still is a phenomenon, which occurs in all humans, not just sales people. Both content and process theories of motivation lay the basis for understanding also sales people motivation, but one must consider how does the work environment, job tasks and expectations from the company affect the sales force. Berl and Williamson (1987, 59–60) critique applying content theories of motivation, which focus on human needs to a sales context. Empirical evidence from studying various sales forces suggest that rigid need structures in the Need Hierarchy theory or the ERG theory, oversimplify motivation and human needs. Berl and



Williamson (1987, 60) state that for sales people frustration the Dual-factor theory's "hygiene factors" such as pay and commission, will thrive them to outperform colleagues who are satisfied with both "motivators" and "hygiene factors". This would suggest that money is a great motivator for sales people. This notion is supported by many other researchers, who find that sales people perceive financial incentives of pay and commission as the most valuable way to incentivize or motivate. Sales people seem to favor money over many other incentives. (McCull-Kennedy 1993, 18; Berl & Williamson 1987, 60; Lopez, Hopkins & Raymond 2006, 388.) However, there is a common caveat in the studies of sales people reward preferences and their effects to motivation. The studies usually dive into extrinsic rewards, and seldom consider non-financial incentives to be added in their samples. In the current sales and marketing literature, non-financial incentives are seen as thank you cards and salesperson of the month awards. Aspects of the work itself, work design, recognition, learning and development are not frequent in the sales management literature and studies.

Researchers tend to agree that individuals have needs, which have motivational relevance; job environments affect motivation; and individuals have distinct needs and desires, which can be satisfied on an individual level (Berl & Williamson 1987, 59). Thus, three factors (1) individual determinants, (2) job characteristics and (3) managerial determinants should be taken into account when ensuring that the sales force is motivated.

The individual determinants, which are beneficial in understanding sales people motivation are called *universal motivators*: achievement, social affiliation, power, ego gratification and survival (Zoltners, Sinha & Zoltners 2001, 251–252; Mayer & Greenberg 1964, 119–121; Donaldson 2007, 61–62). It is important to note, that although these motivators are found in virtually all sales people, but their power in governing actions is dependent on the individual. Some are strongly motivated by the fear of losing a job, and others by social recognition. These needs and desires are not very observable, but the resulting behaviour is (Zoltners et al. 2001, 251–252). For managers, it is thus advantageous if it is possible to form personal ties with the workers and find out what drives a certain sales person on a deeper level.

In their essence, sales jobs provide a lot of room for challenges, autonomy and rewards to employees. In other words, the job itself can be motivating, because sales managers have little room to say how to do it or what activities to engage in during the day. Autonomy over the job, financial or non-financial rewards from reaching quotas, and challenges make the job itself motivating for sales personnel. (Guenzi & Geiger 2011, 404.) Pullins (2001, 410) supports the idea that for sales people to experience motivation the job itself should be interesting and provide challenges. Only after the job itself is interesting, challenging and allows personal development, external incentives can be used to enhance motivation to a higher level. Thus, incentives have little value if the job design does not allow motivation to emerge. Zoltner et al. (2001, 255–257) also underline the

importance of sales job characteristics in ensuring that the sales force is motivated. Attention should be given to training, sales support, internal knowledge sharing, and how to support sales when larger economical fluctuations influence buyer behaviour negatively.

Managerial determinants in motivating the sales force consist of tools, which influence the sales force in a positive way and tap into their inherent needs as individuals. Tools used in the sales force motivation strategies include sales territory design and sales support, development programs, compensation plans, promotions, recognition programs, contests and communication. (Zoltners et al. 2001, 257–261.) Evidently, for these sales force incentives to work properly, one must consider which kinds of personality types, desires, wants and needs appear in each individual sales person. Furthermore, managerial determinants in motivating must tap into the universal motivators, which are found inherently in the sales personnel (Zoltners et al. 2001, 267).

## 2.4 Employee incentives

According to Latham (2012, 107) incentives can be used in several ways to enhance or decrease motivation and performance. First, coercively used incentives are used as a threat and applied in a manner that induces fear in the recipient. For example, if a salesperson does not reach a quota, he may not get paid at the end of the month. Second, incentives can act as signs of appreciation. When an employee has excelled in a job task, it is recognized by the managers and one receives appraisals from the top management. Third, incentives can be evaluative in nature. In other words, some incentives attempt to signal the worth of an employee's actions to the company. To sum, incentives can be differential in nature depending on the situation and the message they send to an employee.

Incentives belong into a wider pool of total rewards. Total rewards consist of *transactional rewards*, which consist of tangible pay and benefits schemes, and *relational rewards*, which are intangible incentivizing aspects of learning and development and the work itself. (Armstrong 2007, 31.) Through both financial and non-financial incentives employee's contribution to the organization's goals and strategic aims is facilitated. The aim of solid incentive schemes is to motivate, commit, and engage employees to the organization. Also, with incentives the organization is able to transmit a message to the employees of the desired behavioral practices and develop a high-performance culture. (Armstrong 2007, 3–4.)

The terms rewards and incentives overlap in their nature, and it is troublesome to find definitive answers, which is the right term to use. Depending on the field of literature the terms are used to describe different things. Sales management literature uses the term

incentive to describe pay-for-performance schemes and other financial remuneration plans. Rewards on the other hand is quickly associated to also to financial benefits or payments to an individual. Armstrong's (2007) definition of relational rewards or non-financial rewards seems to be fitting to describe the focus of interest in this report. In this report, the focus is on determinants which engage, commit and motivate individuals to the company, through solely non-monetary actions. Thus, the terms incentives and rewards are used almost interchangeably and are overlapping in nature but in this thesis incentive is the preferred term.

#### **2.4.1 Financial incentives**

Money or other financial gains acquired from working in a company are used to attract, retain and motivate employees. Also, financial incentives can be used to reinforce employee's innovative ideas or performance. (Peterson & Luthans 2006, 157.) Financial incentives or transactional rewards consist of *base pay*, *contingent pay* or *variable pay*, and *employee benefits*. In their essence, they provide financial remuneration from working at a company. *Base pay* is usually a function of concrete working time, and paid weekly, hourly or monthly. *Contingent pay* is widely used for salesmen as it is linked to performance, skill or contribution. Reaching sales quotas, targets, shares of customers provides additional payments to the employee. *Employee benefits* are usually additional compensation to the employee, without direct payments. (Armstrong 2007, 10.) Company cars, paid Internet access at home, or a laptop computer are perks which can be categorized into employee benefits.

Similarly, Pullins (2001, 407) describes several types of rewards which all are used in sales force compensation plans. Task non-contingent, task contingent, performance contingent and completely contingent rewards. *Task non-contingent rewards* are given for participation. For example, sales person salary is a task non-contingent reward. As they are not controlling in nature, they have no negative effects in intrinsic motivation. *Task contingent rewards* are linked to executing a task. Sales in terms of volume is an example of this. The reward itself should be valued and salient in order to have an effect on intrinsic motivation. Also, if the task itself is interesting and feedback is given to the sales person, intrinsic motivation is enhanced to a further effect. In addition to salary sales people usually have commission-based incentive plans, which are based on a certain level of expected performance. *Performance contingent rewards* represent commission or bonus-based reward programs. They are controlling in nature, but at the same time provide data of how the sales people are succeeding in their jobs and expectations. These types of reward programs may hurt intrinsic motivation, if they are deemed to restrict autonomy and self-determination. *Completely contingent rewards* are usually limited in

quantity; thus, employees have to compete in order to obtain a certain valued reward. For example, sales contests are usually completely contingent rewards. (Pullins 2001, 407.)

Financial incentives such as pay, and commission are important to employees in terms of employees are paid equitably and fairly in relation to the effort they put into work (Arnolds & Boshoff 2002, 715; McColl-Kennedy, Kiel & Dann 1993, 13). Employee perceptions of pay is seen as a measurement of how much the company values their work input and how much the employee feels that they contribute to the success of the company (Arnolds & Boshoff 2002, 715). It is important to note that for financial incentives to work properly a few factors should be considered by the company. Firstly, financial incentives should be fair internally and externally in comparison with other companies operating in the same field of business. Internally fair financial incentives take into account how balanced the rewards are between employees. If employees perceive that their colleagues are paid more for the same level of effort, experience and tasks, the implied reward has less value in terms of motivation. (McColl et al. 1993, 14; Morell 2011, 319–320.) Second, the relationship between exceeded effort, rewards, and results should be clear to employees. If an individual does not see what is the relationship between a certain behaviour, and the following reward or results, it is hard to motivate employees financially (McColl et al. 1993, 14; Armstrong 2007, 424–425).

Financial incentives motivate employees both directly and indirectly. Directly, money satisfies the need for security and survival in our society. Also, financial incentives can tap into self-esteem needs and act as signals of status. Indirect motivation from financial incentives emerges as money is seen as an instrument to gain something important to the individual, be it cars or holiday trips. In other words, mere financial gain does not motivate it itself, but it has instrumental value to some individuals in the path to attain something valuable. (Armstrong 2006, 267–268.)

Financial incentives are seen to effect more extrinsic motivation than intrinsic motivation (Morell 2011, 319). This may be due to the fact that financial incentives can be easily quantified and measured. The value of financial incentives work in relation of what one can acquire through money. Thus, financial incentives are an instrument to gain something important to an individual and finally satisfy a need. This allows managers to use financial incentives in a rewarding or punishing manner, and control can be enforced by managers to get a task done. Also, as financial incentives emerge from the surrounding environment outside the individual such as managers or the company, it is not surprising that they effect extrinsic motivation to perform a task.

### 2.4.2 *Non-financial incentives*

Wages have been traditionally at the focus point of incentive programs. Although monetary compensation is necessary to provide basic security for employees, monetary incentives are troublesome for two reasons; the multifaceted nature of jobs and high costs. 20<sup>th</sup> century jobs involve, not just working long hours and being productive, but also cognitive and psychological involvement. Behavioural researchers have underlined the importance of non-financial incentives as an alternative tool to better engage workers to the company. (Depedri, Tortia, & Carpita 2010, 3.) In the current literature, the terms non-monetary incentives, non-financial rewards, intrinsic motivators are merely used to describe employee rewards which do not have a cash or financial element to them (Morell 2011, 319; Abdullah & Wan 2013, 1085; Armstrong 2007, 32). This leads to perceiving non-financial incentives as trips to Hawaii or an employee of the month plaque on the company premises. In other words, something concrete and tangible which is given to the employee. However, the term non-financial incentive should have a broader perspective. In this thesis, non-financial incentives are the determinants which engage, commit and motivate individuals to the company, with no element of financial gain to the employee. They can emerge from the work itself, or in some cases can be controlled by managers through incentive programs of talent management or career path development.

Non-financial incentives are considered to be strong motivators, because they allow the development of employees' intrinsic capabilities in work and increase the willingness to work in the company on a longer time-period (Sorauren 2000, 926). Thus, non-financial incentives motivate through personal development and growth as individuals which is beneficial both for the company and the employee. To underline this nature of non-financial incentives, it is worthwhile to note that financial incentives are commonly used in relation to a certain task or goal, and sometimes seem to simplistically voice the management's thoughts of "take this action, and you will get this reward". These types of incentives are a medium of control rather than a tool for motivation through individual growth and development. In a way, non-financial incentives bring more human dimension to motivation than financial ones (Sorauren 2000, 926). Non-financial incentives may also engage with the employee more deeply, because they tap into individual needs more specifically, than financial incentives (Milkovich & Bloom 1998, 21).

Research suggests that non-financial incentives have a strong link to intrinsic motivation, and financial incentives tend to effect more extrinsic motivation (Morell 2011, 319). As intrinsic motivation is related to the performance of the work task itself and finding the work inherently interesting, non-financial incentives are not necessarily imposed by the management, but rather result from the opportunity of engaging in interesting work. Hence, non-financial incentives such as work place learning and achievement are the end result of engaging in an interesting work task, and in turn

continue to motivate the employees to work better in other tasks, because feelings of competence and development are enhanced. This is illustrated by Latham (2012, 106) stating that in intrinsic motivation there are no visible factors governing decision-making or taking actions. Thus, it is implied that non-financial incentives are seldom visible and cannot be necessarily imposed or managed by entities in charge of motivating salespeople.

There are several incentives, which are non-financial or relational in nature. Armstrong (2007, 35–40) divides these incentives into two categories; learning and development, and work environment, which are presented below in figure 7.

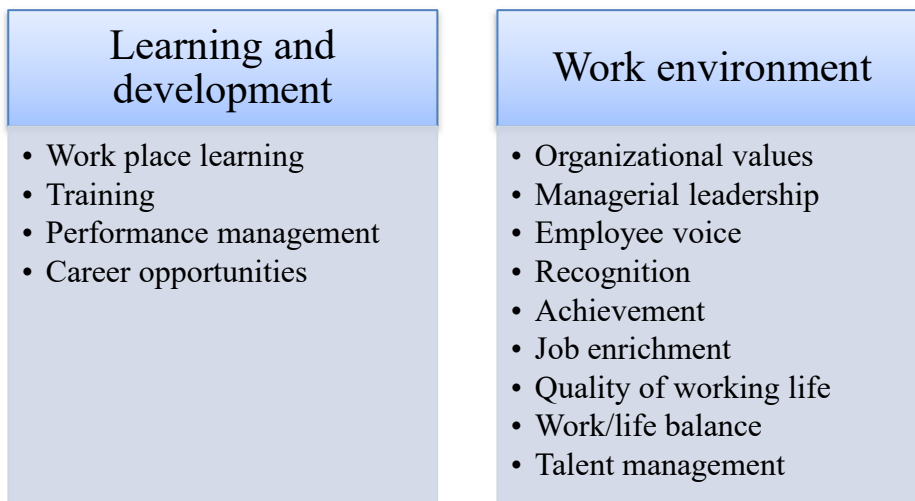


Figure 7 Relational rewards, (modified from Armstrong 2007, 35–40)

**Learning and development** determinants are concerned in how to allow in work learning and development in a way, which is beneficial for both; the company and the employee. *Workplace learning* provides people with capabilities and skills through either planned learning programs, or through the work itself. Planned learning is done through intentionally supporting and aiding the employee in their daily work tasks. More importantly, learning through the work itself refers to employees engaging in challenging tasks daily and overcoming them successfully. Both options provide the employees valuable skills to strengthen their expertise. (Armstrong 2007, 35.) In addition to employees experienced feelings of growth and development, workplace learning paves the path for employees to gain more financial gains in the future, once their expertise is strengthened and new skills are acquired (Abdullah & Wan 2015, 1088). Furthermore, it is clear that individual motivation is enhanced through learning as employees who have completed learning programs outsell their colleagues who have not taken part in learning programs (Freifeld 2011, 20).

*Training* refers to organized plans to support learning and development of skills related to the job. Training programs enable employees to develop new skills or enhance existing

ones in a way that furthers their future career opportunities. Training is considered to be a powerful motivator, because it provides the opportunity to learn new skills and enhance individual capabilities. It is also effective in organizations, in which promotions are seldom, as employees can still enhance their inner capabilities as individuals. (Armstrong 2007, 35; Fu 2015, 32.)

*Performance management* is concerned about creating positive psychological relationship between management expectations and employee aspirations. If done properly and systematically, feedback and performance reviews can enhance motivation and provide tools for self-development for employees. (Armstrong 2007, 35.)

*Career development* ensures that individuals have the capabilities, skills, and knowledge to develop and bring out their fullest potential in future responsibilities in the organization. If done adequately, clear career paths and information of how to successfully follow these paths are provided by the organization's career development programs. (Armstrong 2007, 36.) For example, a more experienced sales person or mentor may be one tool of guiding and supporting a lower level employee in the organizations hierarchy.

The learning and development category of non-financial incentives consists of incentives which emerge either from the work itself or can be set and designed by the management. The motivational link these incentives share is that they all tap into individual needs of self-development and growth both professionally and personally. According to the hierarchy of needs theory and ERG theory, individuals have a need to grow as people, and finally realize their fullest potential (Arnolds & Boshoff 2002, 698; Maslow 1943, 382). The learning and development related incentives motivate through engaging with the higher-level needs of employees. Also, as brought up in the self-determination theory individual needs for competence and for autonomy drive individual motivation. (Cerasoli et al. 2016, 783–784.). Incentives of training, workplace learning, and career development feed employees needs for competence and for autonomy, resulting in enhanced motivation and satisfaction.

The second category, the **work environment**, consists of determinants, which emerge from the work itself and each of the determinants tap more into employees' individual need, thus generating motivational effect. *Organizational values* provide a set of norms and a vision for future, which are usually shared collectively within the organization. They are usually publicly stated, managed and embedded in the organization. To ensure the motivational effect of organizational values, it is necessary to ensure that the employees and the organization share more or less the same set of values. If organization values are seen in a positive way by the employees, higher levels of satisfaction and motivation is experienced in the work force. (Armstrong 2007, 36.) Thus, there must be a fit of individual and organizational values in order for the “rewarding” effect to take place.

*Managerial leadership* is a key factor in getting things done in a company. In addition, positive leadership encourages and supports employees in their daily work tasks, and acts as a source of motivation for the staff. Leaders act more as a source of relational rewards than a direct non-financial incentive. Thus, through recognition, feedback, performance management managers are able to further motivate employees. (Armstrong 2007, 36.)

*Employee voice* refers to the possibility for a company's employees to voice their opinions, thoughts, and suggestions in company decision-making. If done appropriately, the company has a set of structures which enables employee involvement in decision-making. The incentivizing effect for employees, is that they feel that their contributions are valued and taken seriously. (Armstrong 2007, 37.) In other words, the employees' feelings of worth to the company are given room to be voiced publicly.

*Recognition* tells the employees not only that they have achieved a set goal or a work task successfully, but also that their achievements are valued by the management or peers. It is important that positive feedback is given immediately after positive contributions from an employee or a group of employees. Recognition can also be an opportunity for managers to listen to employee's suggestions and act upon them, this can have a positive motivational effect in the employee. Recognition is not just feedback. Promotion opportunities, allocation to an interesting project, or providing more responsibility are additional ways of recognizing a job well done. (Armstrong 2007, 36–37.) Recognition as an incentive does not stem from the work itself per se, as it needs a human element in its communication (Ali & Ahmed 2011, 271). Thus, recognition from peers or the management is a social occurrence and process, which influences extrinsic motivation. Brun and Dugas (2008, 717) argue that recognition also acts as a tool for personal development and binds employees more closely to the company.

*Achievement* is regarded to be a universal need for employees, but the strength of the need to achieve differs depending on individual characteristics. A company should ensure that it supports individual achievement needs and provides the necessary encouragement to achieve in work tasks. Recognition is given after achievement and this way employees know that they have achieved something meaningful and appreciated. High achieving employees tend to be self-discretionary, meaning that they enjoy challenges, approach things positively and in general are more effective in their work tasks. (Armstrong 2007, 38.)

*Job enrichment* is done through analyzing and altering five different job characteristics, which are skill variety, task identity, task significance, autonomy and feedback (Orpen 1979, 192; Armstrong 2007, 39). By breaking down monotonous and repetitive work tasks, and offering new challenges through allocating the employee with decision-making and planning activities, managers can ignite motivation and satisfaction in the employee (Appelbaum & Kamal 2000, 734). However, depending on the field of work, the needed changes are different. Job enrichment leads to higher intrinsic



motivation, as the work itself is meaningful, interesting, and challenging for the employee (Armstrong 2007, 38–39). It also decreases absenteeism and employee turnover (Orpen 1979, 189). Herzberg (1968, 93–96) states that job enrichment should not be a one-time cure to motivation problems, but rather a continuous function, which managers must polish and review constantly. Job enrichment practices must tap into employees' achievement, recognition, growth, development needs and responsibility needs. The job itself should be more interesting for employees to experience motivation. *Quality of working life* and *work/life balance* are very self-explanatory in nature and overlap with job enrichment policies.

*Talent management* for an organization is essential when trying to attract, retain, motivate and train employees. Talent management is concerned in creating a work environment and reward policies, which render the company as the best place to work. Once again there is overlap with other non-financial incentives, such as, job enrichment and training. In talent management, however, the focus is on retaining and motivating employees, who are valuable assets in securing the company's success in the long run. (Armstrong 2007, 40.)

To sum, figure 8 presents the model of total rewards, which consist both of the discussed reward pools, financial incentives and non-financial incentives.

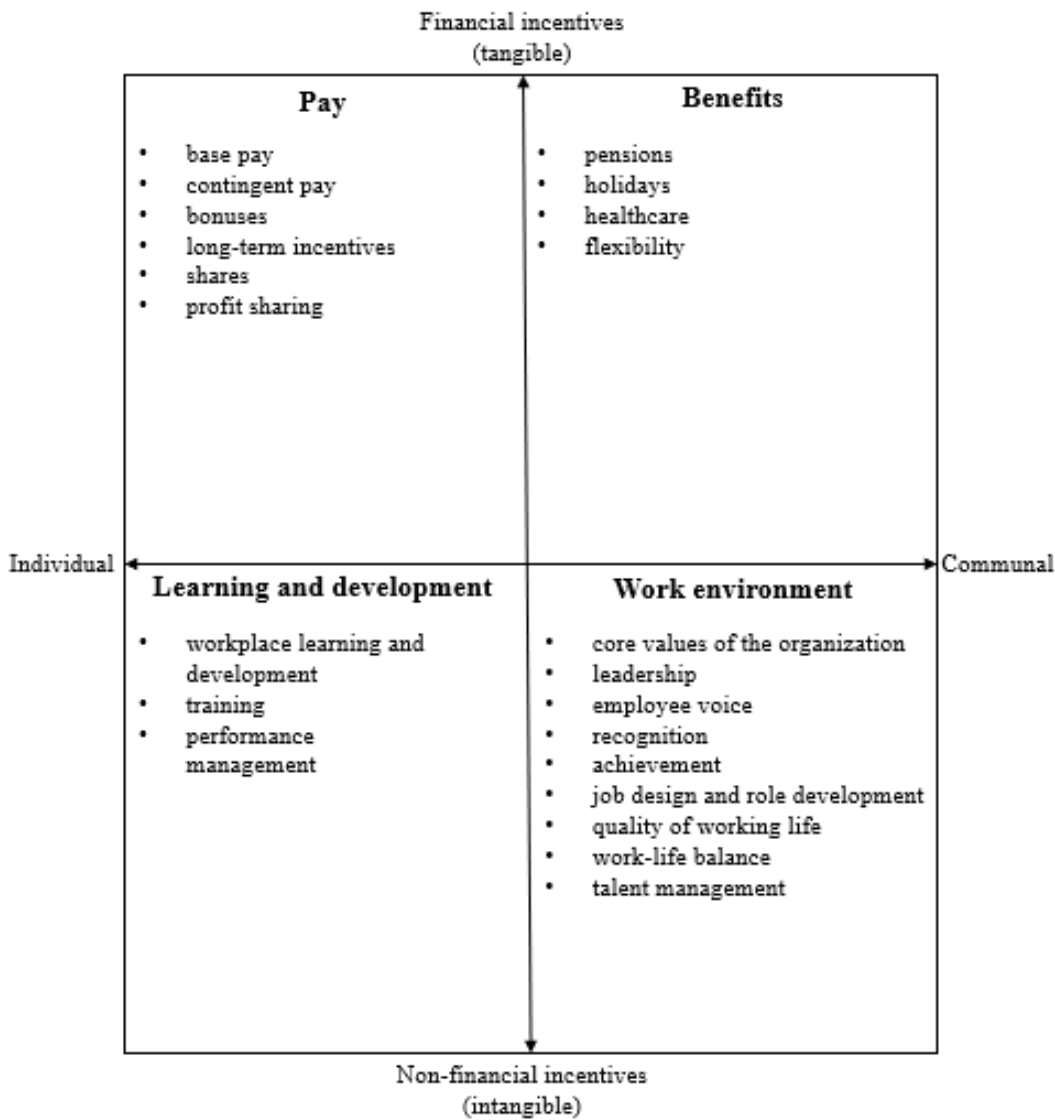


Figure 8 Model of total rewards, (Armstrong 2007,31)

The upper quadrant in figure 8 consists of rewards with financial aspect to them. These rewards are necessary to retain employees and keep them satisfied on a base level. The lower sections consist of rewards with no links to any financial incentives. Both are of course necessary in keeping employees satisfied and motivated in the work place (Armstrong 2007, 31).

## 2.5 Synthesis of motivation theories, incentives and sales people

The content theories explain what ignites motivation in individuals and what and which needs motivates humans. The difference in the two is that the content theories tend to look at motivation from within the individual with a very need-based view of motivation

and the innate nature of motivation. The content theories seem to consider motivation to be interwoven in the fabric of humanity with desires, wants and needs at the focus point.

The process theories on the other hand examine what is the process of motivation and its emergence in individuals. Questions such as what motivates people outside of the self, which pieces of the motivational process are needed for motivation to take place, and how do we value different outcomes from a myriad of other options are just some of the questions these theories attempt to answer. In their essence, the process theories of motivation are very reward-centric and give much attention to the rewards governing the process of engaging in one action over the other.

To add to the theoretical discussion motivation, one must take into consideration the qualities and commonly found characteristics of people working in sales positions. The most prominent characteristics found in sales people are high achievement orientation, well-rounded social skills, high ego drive and the capability to be very empathetic towards other people (Anselmi & Zemanek 1997, 540; Chonko, Enis & Tanner 1992, 394; Mayer & Greenberg 1964, 119–121). Studies on sales people characteristics seem to imply that the somewhat commonly found characteristics would provide a very fruitful ground for motivational tools and incentives to actually motivate a person working in sales. Links between sales people characteristics and the motivational paradigms' achievement, reward, and social elements can be undoubtedly made when looking at which kind of people are the focus on motivation and how does motivation occur and progress in humans.

Both non-financial incentives and financial incentives are very closely linked to the themes of motivation and sales people characteristics. In other words, incentives work as building blocks for different elements of a specific motivation theory. For example, training as an incentive has a straight link to the expectancy element in the expectancy theory of motivation. When employee training is organized for a specific work task, the personnel will experience heightened expectancy that if they engage in the said task, there will be a stronger chance of a desired result. Another example from the expectancy theory of motivation is the relation of financial incentives and the valence element of the theory. Valence is the perceived value of the possible reward (Vroom 1964, 15–19). If managers are able to elevate the valence aspect of the reward through a salient, financial incentive, the experienced valence will be higher, and finally according to the theory individual motivation is enhanced. This sheds light to the idea that incentives should not be necessarily thought of as carrots which employees cling onto and will automatically experience satisfaction in the work place or elevated motivation. One must take into account also the patterns of what needs govern humans and through which processes does motivation to take place. Incentives without motivation theory and vice versa creates a thin understanding of how to motivate employees in any work place.

The following figure 9 illustrates the how the content and process theories of motivation relate to each other. Also, in the figure 9 it is shown how incentives as tools of motivation fit the whole motivational pyramid of content and process theories.

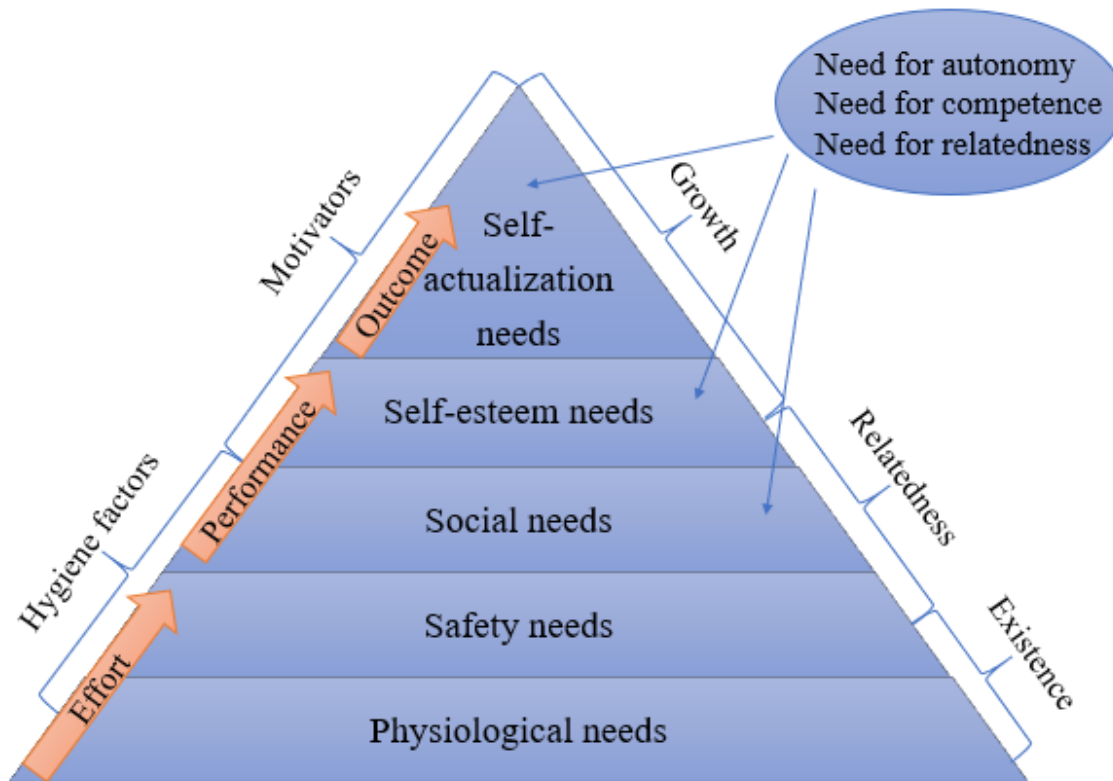


Figure 9 Synthesis of the motivation theories

For the basis of the pyramid all of the four content theories are presented: *the hierarchy of needs theory*, *dual-factor theory*, *ERG theory* and *self-determination theory*. These motivation theories are very similar in their essence and describe more or less the same in some differing distinctions. On top of the content theories, the process theories of motivation are presented as a flow form. Like stated in the motivational discussion in the previous chapters, the process theories describe how motivation is formed as a process from one event to another. All of the discussed and presented process theories also have links to each other. The *expectancy theory*, *goal-setting theory*, and *job characteristics theory* are described as a process with a one beginning and a final outcome, with some differences on mediators between the motivation process. These process steps of motivation consist of some degree of effort (job dimensions, goal dimensions or work effort), an element of performance and finally an outcome or reward of some sorts.

The next chapter will present the methodological approach used in this thesis. The sub-paragraphs present the research approach, case company, data collection, data analysis and trustworthiness of this thesis.

## **3            METHODOLOGY**

### **3.1        Research approach**

The purpose of the thesis was to understand and examine the role of non-financial incentives in B2B sales force motivation. The focus of the thesis was the case company's sales force and its' motivation and used incentives. More specifically what kinds of incentives are used in sales force motivation and why do these incentives motivate sales people. An extensive theoretical background on sales people, incentives and motivation was the building block for the later empirical discussion with the aim of presenting not just similarities and differences between the theoretical knowledge of the studied issues, but also adding new findings to complement to existing theoretical foundation of motivation and incentives. The aim was to generate a deeper, holistic understanding of the researched phenomena; incentives, motivation, and sales people. (Eriksson & Kovalainen 2008, 4–5.)

When studying motivation, individual and group behavior, actions, choice, and the underlying incentives governing these factors, a qualitative single case study was deemed the appropriate approach for several reasons. Firstly, sales forces and sales people operate in a limbo between customer expectations and company expectations. The context of the surrounding environment effects their daily routines heavily and the context should not be overlooked. In this thesis the case company's sales force cannot be taken out of its environment and context, which in this case is the company. To add, the people in the company can freely explain their company's policies, incentive systems, and their own relation to the company. (Lewis 2003, 56–57.) Thus, it is essential to understand the relation between the environmental factors effecting individual or group motivation. Also, as is stated in the theoretical discussion, the emergence of motivation is mainly individual and differs between employees, the subjects studied in the thesis conform with the approach of assuming uniqueness in the studied events or the individuals.

Second, this thesis attempted to provide a holistic and deep understanding of the case company's sales force motivation and as motivation as a phenomenon is inter-related to one's social environment, a case study within only one company was selected. This was done because the studied themes in their essence are complex and the theoretical background is vast, so focusing on only one motivational environment was deemed suitable to avoid further complexity. To add, the thesis approached the studied subjects from a naturalistic and interpretive standpoint, and analyze socially constructed beliefs, actions and decision-making within groups or individuals (Snape & Spencer 2003, 3). This was done because motivation has always an element of action and decision-making

between a vast choice of behavioral patterns, so interpreting these actions and the underlying incentives was essential in the research.

Third, motivation and especially incentives are always based on real-life events within an organization and the researcher does not have any control on the researched phenomenon. (Yin 1994, 1.) Motivation emerges uniquely within the individual and company incentive programs or wider reward policies effect this emergence. Also, the formation of motivation can be abstract in its nature, but the effects of highly or weakly motivated people are very real to the company. As the researcher could not affect the interviewees motivation or companies' incentive plans, thus the selected approach fits the interest of the thesis. The thesis attempts to bring forth in-depth and intensive knowledge on motivation, bringing added, deeper understanding of the subject. (Lewis 2003, 52, 76.) The researcher attempted to answer the research questions widely, contextually and from different perspectives to shed more light to the phenomenon (Yin 1993, 3). This was done by interviewing the sales force within a specific company, focusing especially on presenting multiple perspectives of motivation and incentives emergent from individual sales people.

### **3.2 Case company and interviewee selection**

Several criteria were used in selecting the company. First, the number of employees should be under 50, which renders the company as small in company size. It was important to consider the size of the company, so that the sales force itself is also small in size. This was done for better representation of the motivation and incentives in the case company sales force. Second, the company should have its own in-house sales force, in other words, employees who focus mainly on traditional sales activities, such as cold-calling, prospecting, meeting clients, making offers and taking care of the customer needs through the whole sales process. Third, the company should operate in an industry with high competition and not in a specific niche, where first mover advantages would render the sales activities easier to operate.

The case company selected for data collection is Netlight Consulting, which was founded in 1999. The head office is situated in Stockholm, Sweden, but they have offices also in Helsinki, Oslo, Munich, Copenhagen, Hamburg, Berlin and Zurich. Netlight Consulting employs over 800 consultants and they publicly state that their success is based on growing talent, creating together and engaging in challenges. (Netlight: Who are we, 2017.) The company provides services mainly in the fields of technology and management consulting with clients in both private and public sectors. (Bloomberg: Company Overview of NetLight Consulting AB, 2017.) More precisely, Netlight's main business functions are software development, project management and management

consulting. More precisely, the interviewed company represents Netlight Consulting's office in Finland, Netlight Consulting Oy, which is not a subsidiary, but rather its own entity servicing clients based in Finland. Netlight Consulting Oy fits the above-mentioned criteria quite well, as the company has 43 employees and they have a sales force of five designated employees, who primarily focus on the above-mentioned sales activities, with some administrative duties as well. Also, competition in the field of technology consulting in Finland is substantial with companies like KPMG, Boston Consulting Group, Price Waterhouse Cooper, CapGemini, Accenture, Deloitte, Ernst & Young, and McKinsey & Company all operating in the Finnish market (Management Consulting Case Interviews, 2010). As the Finnish office, Netlight Consulting Oy, was founded in 2012, it represents a younger competitor in Finland taking on more established and larger consulting firms in the competitive market.

### **3.3 Data collection**

For this thesis, the method used in the data collection phase is semi-structured interviews. The goal was to have a dialogue between the researcher and the interviewees and ensure that the pre-determined topics are gone through thoroughly. (DiCicco-Bloom & Crabtree 2006.). Also, with this technique detailed picture of the interviewees personal opinions and thoughts could be formed (Lewis 2003, 58). Due to the nature and focus of the thesis, the chosen semi-structured interview method suited well as a data collection tool. Pre-determined and open-ended interview questions guided the discussion to important themes, but there is room for subjective opinions and personal thoughts on the subjects of motivation, incentives and sales people in general. Semi-structured questions left essential room for emerging topics on what motivates a distinct individual on a personal level within a larger organizational setting. As incentives, motivation and individual characteristics are phenomena which influence mainly on individual level, semi-structures questions create the opportunity and space to freely express the interviewees own thoughts, feelings and motivations without a too stern guidance.

The interview questions were formulated using a theoretical background on the existing knowledge on motivation, incentives and sales people characteristics. As the research aim is to understand and analyze *what is the role of non-financial incentives in sales force motivation*, the themes of motivation, incentives, and sales people characteristics were first discussed and analyzed from existing theory, but present also valid themes for the interview questions with the goal to answer *what motivates sales people, what are the non-financial incentives used in motivating sales people and why non-financial incentives have motivational value*. The questions were assigned under the themes of motivation as a phenomenon, incentives in the workplace, and sales people as

a demographic, which served as a guide in conducting the interviews. The interviewees were informed of the interview themes to ensure that the interview sessions would be fruitful, and the interviewees could orient themselves to the discussed themes.

For this thesis four interviews were conducted. The interviewed people consisted of a HR Manager, Head of Sales, and two Sales Managers. The HR Manager had worked in the company from 2012 and is one of the founding people of the Finnish office. She handles recruitment and strategic growth in the company. The Head of Sales has also worked at Netlight Consulting Oy from the early stages of the Finnish office and is the most senior person working in sales with an extensive background in various sales positions. The first Sales Manager A has also a prior background in sales and engages in daily sales activities from new customer acquisition to account management. He has been in the company for 2 years. The second Sales Manager B is one of the newer sales people having worked from the spring 2017. She has had little experience from sales and is quite recently graduated from Aalto School of Economics. In Netlight Consulting Oy, the different sales activities consist of new customer acquisition, building networks, market analysis, account management, supporting recruitment and consulting functions, and drafting offers to clients. In its essence, as Sales Manager A stated: “to ensure that the right people are at the right place at the right time” (Sales Manager A, interview 3.4.2017).

All of the four interviewees were open in answering the formulated questions and the general atmosphere was relaxed and talkative. The interviewees willingly gave answers to all of the posed questions, and also to questions which emerged whilst conducting the interviews. All of the interviews were recorded with two distinct recording devices to prevent potential data losses in the process. Three of the interviews were done the 3<sup>rd</sup> of April 2017. An additional interview with another sales person was done on the 23<sup>rd</sup> of November 2018 to ensure that enough interviews were done in order to acquire valuable data for analysis. After conducting the fourth interview, it was evident that the data had not been yet saturated and valuable material was gathered for the research. The interviews were organized through contacting the case company’s HR Manager and with given permission the interviewees were contacted personally via email. The four interviews lasted approximately from 35 minutes to 48 minutes. At the end of the interview, the interviewee gave permission to contact him again, if further interviewing is needed.

### **3.4 Data analysis**

The analysis method selected for this study is thematic analysis. As a tool, thematic analysis brought flexibility to the research, was still able to provide in-depth and rich analysis for data. Data analysis was done to seek and analyze certain patterns within the collected data, and finally describe in detail the findings. (Braun & Clarke 2006, 5–6.)



There are two ways to conduct thematic analysis, an inductive method and a deductive method. In this thesis, the researcher used deductive method of thematic analysis. Thus, the thematic analysis is based on the set research questions and themes are identified from the theoretical literature of the topic. (Braun & Clarke 2006, 12.)

Braun and Clarke (2006, 16–23) propose the following steps in conducting thematic analysis:

- Familiarizing oneself with the data
- Generating initial codes
- Searching for themes
- Reviewing the selected themes
- Defining and naming themes
- Producing the report

The process of data analysis started with transcribing the recorded interview into text. The transcribed interview produced 18 text pages. Already during the transcription process familiarization began. After listening to the audio recording three times, and transcribing at the same time, a well-established picture of the interview material was generated. After transcribing the data, the researcher read the transcribed text to better understand the whole interview process and contents. The amount of data was quite small, so in-depth understanding was manageable and the process of identifying certain patterns began already during the first step of the analysis.

After the researcher familiarized himself with the transcribed text, initial codes were created so that relevant and interesting data points could be collected from the transcriptions. Through coding later categorizing was more efficient and helped the next steps of analysis. (Braun & Clarke 2006, 18.) In this thesis, the researcher first highlighted and circled the most interesting features of the collected data. This followed by grouping the points of interest into loose categories. Particularly, new insights and issues were focused on in the initial coding phase. As the deductive thematic analysis was chosen for the report, the coding was done by basing it on the prior theoretical understanding of the subject, which in this thesis was already substantial in nature, so coding was done very efficiently.

Themes were created in order to have a broader context of the data. The themes were motivation as a phenomenon, incentives at the workplace and sales people as a demographic. The goal was to assess how the coded data fits into different themes and examine are there any overarching themes which emerge from the coded data collection. The researcher organized the coded data into groupings consisting of data of sales people, motivation, and incentives. Due to the nature of the study these themes were predefined and data reflecting these three groupings were intentionally searched for. Also, issues which were not part of the theoretical framework were grouped into an individual theme grouping. These consisted mainly of data which gave the researcher new insights of the

subject and overarched to different fields of business study. As the all off the collected data was allocated thematically, the researcher was able to produce empirical findings in a way which links, similarities, and differences to the theoretical background was possible.

### **3.5 Trustworthiness of the study**

Sound evaluation criteria helps in making the study more transparent and the researcher can more easily emphasize the strengths, weaknesses, and limitations of the study. The evaluation criteria stem originally from quantitative research, but there are diversified opinions whether criteria of validity and reliability should be used in qualitative research. For this reason, more alternative and suitable criteria is used in evaluating this study. (Eriksson & Kovalainen 2008, 290, 292.) Lincoln and Guba (1985, 290) present alternative evaluation criteria for qualitative research:

- Dependability
- Transferability
- Credibility
- Conformability

The first criterion evaluates whether the reader of the study has been given enough information on documentation of data and that the research has been logical. Good dependability also is ensured by providing traceableness and transparency to the reader. (Lincoln & Guba 1985, 290.) As the criterion states that the research should be logical, the researcher has attempted to provide a clear research design and argued why the case company fits well for the subject of the study. Also, a clear explanation of the interview setting is provided and sufficient information on the interviewed employees is shared openly. The traceableness and transparency are ensured by documenting the gathered data through audio recording and transcription. Nevertheless, it is to be noted that interviews as a data collection technique can hinder the dependability of this thesis, as the interview questions can govern the interviewees responses to substantial extent. As the sole data collection method, interviews may also present a very subjective picture of the studied issue and leave a lot of room in terms of analysis of the given responses by the researcher. Thus, extensive generalization from the collected data should be avoided. Also, individual responses are affected by personal views, preoccupations and perspectives, so the data cannot provide the whole truth of the case company motivational atmosphere. (Hirsjärvi et al. 1997, 195.) However, due to the nature of the studied phenomenon, this does not render the data as undependable. As stated earlier in this thesis, motivation is usually based on individuals and is hard to interpret from a company-wide angle.

Transferability considers whether the research is similar to other research done in the chosen topic area. According to the transferability criterion it is important to show that the research offers some connection to prior research and results. (Lincoln & Guba 1985, 290.) As the research was done as a case study with only one case company, the research presents a very narrow view of motivation and incentives, with little room for generalizing from the results of the analysis. Whilst the research in itself is difficult to generalize, the extensive discussion of theory should provide an adequate connection to prior research on the subject. Also, the previously stated goal was to provide a holistic and in-depth picture of the studied subject based on the existing field of knowledge and comparing the findings from the data collection gathered from a selected case company. This is fitting to Eisenhart's (1989, 544-545) views of the goals of case study research.

The third criterion, credibility, evaluates whether the researcher has shown extensive knowledge of the theory and whether the collected data is sufficient in providing credible results. Also, an evaluation of the logical links between themes, theory and data is necessary to fulfill research credibility. (Lincoln & Guba 1985, 290.) The researcher presented motivation theories, incentives, and sales people specifics in a wholesome and wide scope. This was done to ensure that the potential links between different theories and sub-sets were presented in a credible manner and to show that the researcher has a wide understanding of the theoretical background. This is essential in order to successfully analyze and compare the collected data to the existing level of knowledge of the matter. Also, before conducting this thesis, the researcher interviewed Aalto University's professor, Mr. Parvinen, who is the first university professor of sales management. This was done to familiarize the researcher to the subject by interviewing an expert with a theoretical background, even before beginning the thesis project. Familiarizing oneself with the subject beforehand is supported by Lincoln and Guba (1985, 290). This ensures credibility in the done research. The preliminary interview widened the initial scope of this research and gave valuable information on how interconnected and multi-levelled the theme of motivation in sales is.

Finally, conformability refers to the researcher's capability of presenting the data, findings, and interpretations in a way which is easily understood by the reader. The conformability of the study is concerned whether the interpretations are just products of the researcher's imagination or do they really explain the findings accurately. (Lincoln & Guba 1985, 290.) The source material used in this thesis is provided extensively at the end of this thesis. Also, although the findings always analyzed and reported by the researcher, the transcriptions and audio recordings work as a tool for checking the gathered information by a third party. It is to be noted that, no conformability audit was done due to the time restraints of this research. To elevate the level of conformability the gathered information could have been audited by the respondents of the interviews and another case company authority.

## 4 SALES FORCE MOTIVATION IN THE CASE COMPANY

### 4.1 Description of the case company

Netlight Consulting was founded in 1999 and its specific industry is technology and management consultancy services. The company services both public and private sectors with clients ranging to all industry sectors. (Netlight: Who are we, 2017.) The company has 6 offices in Europe with over 200 experts especially in sales activities. (Sales Manager A, 3.4.2017.) More specifically, Netlight Consulting Oy consists of employees from three distinct functions: consulting, recruitment, and sales. As a smaller sized company these functions work also together and sometimes functionalities of the teams over encompass set team duties as sales may help the recruitment and vice versa. The main goal of the sales force is to find a fit with the client company needs and consultants, who can provide know-how and capabilities to fulfill these needs. A key factor for sales is the *utilization rate* of consultants meaning how many of the total number of consultants are currently working on a client project. Selling consultants to clients' technology projects would be considered to be consultative selling, in other words selling in which forming a relationship with the client and adjusting to very specific client needs is of utmost importance (Sujith, 2016).

The sales force is small in size with only four people in 2017, so individual sales people do not strictly focus on any specific sector. However, sales people can have say to what sector they want to specialize in. The sales people handle to whole sales process from initial contact and presales to account management. They also take part in recruitment, market analysis, and supporting consultants in their projects. What differentiates Netlight Consulting Oy's sales from other technology consulting companies is that, they do not refer to people working in clearly sales activities as "sales people" but rather "engagement search". According to the HR Manager (interview 3.4.2017) this is done to ensure that people do not get the salesman stigma. This may refer to quite wide spread connotations of high pressure sales tactics used in dubious boiler room operations. The sales force is considered first to be "consultants" and after this "sales people".

Compensation structure within the sales force is based on a team-based bonus scheme with no individual commissions. In addition to this, the sales people have a monthly fixed salary with the possibility to a company mobile phone and laptop. (Sales Manager A, interview 3.4.2017.) A yearly trip abroad and the possibility to acquire company shares for a fixed rate can also be considered to be additional compensation.

## 4.2 Tasks and distinct characteristics of Netlight Consulting sales force

In the case company, traits commonly found in the individuals of the sales force were ambition, determination and perseverance, social skills, helpfulness and a certain kind of toughness (Head of Sales, interview 3.4.2017; Sales Manager A, interview 3.4.2017; Sales Manager B, interview 23.11.2017; HR Manager, interview 3.4.2017). Motivation as a phenomenon consists of direction, intensity of effort and persistence (Latham 2012, 7; Weitz, Sujan, & Sujan 1986, 180) and the common traits found in the case company sales people are in themselves the very definition of motivation. When asked what common traits are found in sales people, the Head of Sales of the case company responded:

*”Determination, ambition and perseverance. This said, not too egoistically, your own goals should not contradict the team’s goals. Also, inherently and innately motivated to make it in sales. You cannot force anyone to be motivated”* (Head of Sales, interview 3.4.2017)

The three factors of determination, ambition and perseverance could be described with the word gut. Furthermore, sales people cannot be too overly friend, but rather must possess the courage go on with the sales pitch or arguments even if a straight no is given by the customer. (Sales Manager B, interview 23.11.2017.) This seems to represent a characteristic of ego as trait which describes a sales person’s need to reach a sale and close a deal. However, it is to be noted that helpfulness and genuine interest in the client were mentioned various times in the data. (Sales Manager A, interview 3.4.2017; Sales Manager B, interview 23.11.2017). In the case company sales people traits such as gut and helpfulness seem to resemble Mayer and Greenberg's (1964, 119–121) personality traits of ego and empathy, which were previously mentioned in the theoretical discussion. The characteristics often found in sales people tend to act like a mirror to what are sales jobs and the more detailed tasks are like in nature. Naturally, there is a high degree of uncertainty in sales due to stiff competition and the personal relationship between the potential client and the sales person. To illustrate this further; a large deal can be lost just because of a badly executed cold call from the sales person. Thus, individuals working in sales must have good social skills and be able to adjust their own behaviour depending on the situation at hand.

*”Social skills such as communication, listening, and situation awareness. Also, this kind of want to help others and joy when others succeed in*

*something. Of course, competitiveness. Many great sales people I know have a background in sports.” (HR Manager, 3.4.2017)*

In terms of specific characteristics in motivating the case company sales people compared to, for example, technology consultants, not much usable findings were acquired from the interviews. This may be due to the fact that, in the case company the sales people engage in job tasks outside of the traditional realm of tasks specifically attributed to selling. The sales people help with refining the technology consultants’ curriculum vitae, helping with recruitment efforts, and doing market analysis. In the case company, no task is specifically a sales task or a consultant task, but rather employees have to be generalists in their capabilities. (HR Manager, interview 3.4.2017) Therefore, tasks and activities of sales jobs versus other positions are more or less mixed in nature and thus also motivation is about motivating all of the employees rather than focusing on just the sales people. However, focus on motivating the sales force specifically should not be forgotten:

*”Rejection and failure happen every hour and emotions tend to go up and down on a short period of time, so motivating sales people is a bit different. Thus, long-term motivators have maybe a greater value for sales people, because you need to keep pedaling through thick and thin.” (HR Manager, interview 3.4.2017)*

Due to the nature of sales and the tasks sales people engage in, facing rejection can be a daily occurrence in the work place. The psychological strain of not succeeding and inputting effort without a reward naturally can cause diminished motivation in individuals and the sales force. The effect of rejection to sales people psychological states is well illustrated in the Job Characteristics model presented in Fig 6. At the core of the model are the three psychological states required for positive feelings and motivation in the work place. If an employee perceives the work to be important, has control over the given tasks and is able to develop and learn, then heightened motivation will ensue. (Hackman & Oldman 1976, 255–256.) Rejection and daily failure evidently can have an adverse effect on the importance of the work and take control away from the employee. Furthermore, the third psychological state, developing and learning, may not be fulfilled if failure in the work place is constant. Thus, as the sales job itself has an element of rejection and failure in its innate design, it is understandable that the model’s psychological states are affected negatively.

In the case company, the individuals working in the sales force seem to fit Ingram and Bellenger’s (1982, 86) third grouping of sales people; “the developers”. Ingram and Bellenger (1982, 86) grouped sales people in three groups regarding their reward or

incentive preferences and define “the developers” as young and educated employees who desire, above all, personal development and growth in the work place. The sales people in the case company had all a university background and were in their 20’s and 30’s. As presented in chapter 4.1 personal development and growth were found to be one of the most important motivators of the sales force. Furthermore, personal development and growth were stated to be an investment to the future and an asset in any future employment position (Head of Sales, 3.4.2017), which is also supported by Ingram and Bellenger (1982, 86).

### **4.3 Sales force motivators and incentives at Netlight Consulting**

According to the data common motivators for the sales people were personal development and growth, the desire to help others, freedom, and inner motivation; all of which were mentioned as sources of personal motivation for sales people (Head of Sales, interview 3.4.2017; Sales Manager A, interview 3.4.2017; Sales Manager B, interview 23.11.2017; HR Manager, interview 3.4.2017). Also, the importance of a larger picture or vision was mentioned in the interviews. The emergent motivators are presented in the next sub-chapters with first focusing on the motivators (what drives individuals) and then presenting the corresponding incentives (how are these motivators incentive by the company).

#### **4.3.1 Personal development and growth**

The motivator of **personal development and growth** well underlined by the Head of Sales (interview 3.4.2017).

*“I personally am motivated by the company’s growth [...] and of course it boils down to making the sales targets and cold calling, but people should have the bigger vision in their minds, and not just focus on the small details.”* (Head of Sales, interview 3.4.2017)

Being one of the more senior sales people in the company, it is understandable that the growth of the company is an important motivational factor for someone who has been with the company more or less from its inception. To add, the growth of the company seems to be linked to the growth and development of the individual as their inputs affect the growth of the company, especially in a smaller organization. Thus, in order for motivation to persist and endure one must have a bigger vision in mind. Although,

motivation appears individually, one must keep in mind the bigger vision, but at the same time focus on daily activities such as cold calling and meeting clients (Head of Sales, interview 3.4.2017). Also, motivation in itself may be individually based and formed, but the source of motivation can be external from the individual as stated by the Head of Sales of the case company.

*“Individually we all may have our own motivations and incentives, but the main motivator should be the company’s and the sales team’s growth. It should not be looked as my clients are my clients, they are our clients, and our company’s clients”* (Head of Sales, interview 3.4.2018)

This statement underlines the necessity of finding meaning in the work one is engaging in and the social environment work takes place in. To add, in the case company a common goal orientation seems to be in place within the sales force, the goal being the growth of the company with inputs from all the individual employees and the common goal also being the source of motivation for workers. Thus, finding meaning in the work an employee is engaging in seems to motivate the case company workers. Naturally, as the company grows new opportunities present themselves for employees. For example, the possibility to shift from a sales position to a non-sales position from another is not abnormal at all at the case company. (HR Manager, interview 3.4.2017). It is evident that personal development and growth go hand-in-hand with the growth of the organization. Employees are able to enjoy the fruits of their labour and experience growth as individuals when they are building something together. As Sales Manager A states his source of motivation.

*“Personally I find motivating the feeling that I’m doing something important and cool.”* (Sales Manager A, interview 3.4.2017)

The importance of doing meaningful and important work describes well how the work itself factor mentioned in the motivation theory manifests itself in a real-life setting. Work has to have a larger meaning than the intrinsic value of just working out of the necessity of acquiring financial compensation. The notion that it is found to be motivating to do something valuable and cool is interesting from the viewpoint that the work the individual engages in has a bigger meaning and at the same time is regarded positively by friends, peers, and other social contacts.

Personal development and growth motivators are supported through both, financial and non-financial incentives. However, in the case company the focus seems to be in non-financial motivators. **Knowledge sharing, mentoring and feedback** sessions were the most prominent non-financial incentives through which employees’ personal



development and growth needs were supported (Sales Manager A, interview 3.4.2017; Sales Manager B, interview 23.11.2017, HR Manager, interview 3.4.2017).

*“Of course, it (personal development) is supported through mentoring. But it has more to do with the fact that we have such a big organization of experts, and I can ask anyone if I encounter a problem and the support that I get is motivating”* (Sales Manager B, 23.11.2017)

As the case company has many offices abroad with over 200 experts (Sales Manager A, 3.4.2017), knowledge sharing and support from senior sales people is a crucial non-financial incentive especially to younger sales people. In addition to knowledge sharing, the feedback culture manifests itself strongly in the case company (HR Manager, interview 3.4.2017). Feedback as a non-financial motivator is given both, formally and informally in the case company. Formal feedback rounds are organized two times a year, and it is received from 5-10 people with a 360-feedback model. A 360-feedback model means that feedback is given to from peers to managers and vice versa. (HR Manager, interview 3.4.2017). Also, extra emphasis is given to form a strong feedback culture on a daily basis. Daily or weekly feedback is facilitated by organizing client meetings in which always two sales people attend, so they can give feedback to each other based on their performance in the meeting. This kind of a feedback model also ensures that learning from others is continuous and sales people can develop themselves further. (HR Manager, interview 3.4.2017.) The three previously mentioned non-financial incentives can be grouped under a larger umbrella term of “learning and development”, which, in itself as a non-financial incentive, is also supported by various researchers. (Armstrong 2007, 35; Abdullah & Wan 2015, 1088; Freifeld 2011, 20).

#### **4.3.2 Desire to help**

As the salaries are more or less the same in the case company, working together, mentoring and developing as a sales professional are one of the most relevant sources of motivation. (Sales Manager B, interview 23.11.2017) This is also supported by the fact that in the case company all of the interviewees mentioned the **desire to help** as an important factor in personal motivation as phrased by the HR Manager (3.4.2017).

*“Personally I’m motivated when I succeed in helping another individual do their work better.”* (HR Manager, interview 3.4.2017)

The possibility to help others and at the same time work with talented individuals seems to be the common denominator in all of the interview data. Sales Manager B (interview, 23.11.2017) and Sales Manager A (3.4.2017) both mentioned the possibility to work with experienced and talented individuals and at the same time help, both clients and colleagues, to be an integral part of the motivation engage in daily work tasks, which in turn result in a satisfied co-worker or client. Relatedness and socialness can take many forms and in the case company it is exemplified by the desire to help others from colleagues to clients. As a source of motivation by many of the interviewees is very altruistic in nature and has no financial benefits for the employee. However, in organizations which compensate based on sales targets and quotas, the desire to help clients can of course have a hidden financial incentive behind the altruistic behaviour. The motivation from the desire to help others conforms with the motivation theories, as multiple theories bring up the importance of social relationships and the need of relatedness to a group of people. For example, all of the content theories presented underline the importance of social interaction for people, to be motivated and satisfied as seen in Fig 3.

Although the desire to help clients and co-workers was mentioned as a strong motivator, non-financial incentives supporting and affecting this motivational factor, were difficult to bring forth from the interview data. However, the fact that the case company uses team-based bonus schemes based on the utilization rate of the consultants, may act as a strong incentive to this motivator (HR Manager, interview 3.4.2017). If performance is compensated communally, it is clear that helping other colleagues or common clients, is beneficial to also the individual sales person. From a non-financial viewpoint, the sales force's desire and want to help others, is incentivized by to distinct features, which do not fit into the traditional classifications of non-financial incentives. The way the **organizational structure** is constructed and the **shared working culture**, seem to work as incentives in supporting the desire to help needs of employees. A fitting description of the organizational culture is well stated by the HR Manager:

*“With us you don’t get a “sales guy” stamp on your forehead. In a way you are much more part of the consulting project, than you are an individual sales person. You find ways how to help your client to help the consultants to do their best. Also, how to grow your client, find new possibilities and build up you network. I think our organizational structure of how it is built is big part of motivation.”* (HR Manager, interview 3.4.2017)

The work mentality in the case company is based on the idea that everybody is needed to successfully execute sales activities. In other words, sales activities are more or less

based on the effort of every organizational business segment from consulting to recruitment. (HR Manager, interview 3.4.2017). Also, according to the Head of Sales (interview 3.4.2017) the clients are considered to be communally owned by the company, and do not necessarily belong to any specific sales person per se. It is to be noted, that even though a sales person may have responsibility over a client or a successful cold call, every new client is regarded to “belong” to the whole team. This of course, elevates the feelings of togetherness and that through helping each other, the whole company benefits even if client acquisition is done by an individual sales person. To add, the fact that in the case company, there are no strict hierarchies or managerial positions apart from partners in the higher echelons of the organization. (Sales Manager A, interview 3.4.2017) This facilitates the feelings that every employee is equal and helping others in beneficial to the individual and to the company. To add, a cultural value of “We are the company, I’m the company” enhances further the feelings of belongingness and socialness in the sales force, which in turn creates an altruistic working environment and the possibility for the desire to help motivator to thrive (Head of Sales, interview 3.4.2017).

#### **4.3.3 *Autonomy in work***

Another emergent motivator in the data was the **autonomy** in work. Autonomy comes in many forms from learning and developing freely to following a certain career path which is interesting to an employee (HR Manager, interview 3.4.2018). Impacting one’s own work, how to best execute tasks, which clients to contact and how to approach customers all have a huge part to play how well employees stay motivated. The employees are not forced into using a small tool box of behavioural choices but rather can evaluate freely how to best reach a wanted end result. However, for employees with the possibility of autonomy comes responsibility. The autonomy to engage in a meaningful task in the workplace works hand in hand with responsibility of your own work. The HR Manager exemplifies this well.

*“The autonomy in our workplace is a huge motivator, and the responsibility which comes with it. The feeling that you do not have to work hard to reach a numeric goal, but rather that I want to work hard because I love my job and this is an important task for me and my colleagues”* (HR Manager, 3.4.2017)

Autonomy in the work place may also feed the individuals intrinsic motivation from the viewpoint that engaging in something meaningful or the task itself is important on a deeper level. Autonomy takes away the controlling effect of the working environment or

another such authority such as a manager. This allows motivation not to be constrained by outside parameters or expectations. Without the pressure of a numeric goal or a sales quota, employees are able to engage in activities which they deem important to both themselves and the company. Love for one's job and being motivated by it seems to need autonomy to work in the first place. (HR Manager, interview 3.4.2018.) Importance of the task itself to the employees is more or less facilitated by asserting freedom in the case company. Responsibility also has a link with rewarding practices in the case company. As responsibility uses up an individual's inner resources, employees should be rewarded accordingly (HR Manager, interview 3.4.2018). As the theoretical discussion suggests rewarding is a tool for the company to give value to the employees' inputs and commitment (Arnolds & Boshoff 2002, 715). However, it is not evident which kind of reward is the most suitable option for rewarding responsibility.

*"It is very motivating that you can have an impact in your own job. Also, the fact that we focus more on long term goals, and not just short-term profit is a huge motivating factor in our company"* (Sales Manager A, interview 3.4.2017)

In the case company, employee autonomy as a motivator is supported through two main non-financial incentives, which are the concept of **freedom** and **employee voice**. (Sales Manager A, interview 3.4.2017; HR Manager, interview 3.4.2017). Motivation stems from the possibility and the freedom to impact on things around the workplace (Sales Manager A, interview 3.4.2017). Based on the employees' topics of interest, know-how and abilities, the case company employees can choose on what tasks they engage in, what direction they choose for their goals and what they evaluate to be the optimal choice of behaviour. As the process of sales itself from prospecting to the final closing of a sale is more or less set in stone, incentivizing the employees through the freedom of how to engage in the process can affect employee motivation substantially. The motivating factor comes from the freedom of how the sales people reach the later period of the sales process. Also, the case company employees have a say in which kinds of sectors they want to specialize in, what kinds of clients they want to contact and in what do they want to specialize in. Thus, as a non-financial incentive freedom also effects the personal development and growth motivators, which were deemed as strong work motivators by the sales force.

*"Freedom is to learn and develop freely. Employees can engage and develop a career that suits you personally through starting projects and building them to bigger entities in a way which the employee deems the*

*best. As long as it seems to be going into the right direction, you are not micro-managed here.” (HR Manager, interview 3.4.2017)*

Freedom as a non-financial incentive interestingly has links to a few motivational theories, which are the Deci’s self-determination theory and the job characteristics theory by Hackman and Oldman (1976). To illustrate this, firstly freedom in the case company substantially effects the *need for autonomy* concept in the self-determination theory and feeds employee motivation through enabling autonomy needs. Secondly, in the job characteristics theory the psychological states of *experienced meaningfulness of work* and *experienced responsibility of work outcomes* are both under the influence of freedom as an employee incentive. When employees can affect their tasks, roles, and aspirations the experienced meaningfulness factor is enhance and similarly the experience responsibility of the work outcomes is also affected.

The second non-financial incentive used in supporting the autonomy motivator of the case company workers is employee voice. According to Armstrong (2007, 37) employee voice refers to the possibility for the employees to bring forth publicly their opinions and suggestions at the work place. Also, accepting the employees to take part in decision-making at some level is considered to be at the core of employee voice as an incentive. To add, enabling and supporting employee voice at the work place sends a clear message to the sales force that they are appreciated and valued as individuals.

*“Here they seem to really care about their employees. I mean it is a cliché, but if I make a good case of why I should be sent to Germany to see what kinds of projects their sales force is handling, it really is possible here. I regard it as very motivating” (Sales Manager A, interview 3.4.2017)*

Employee voice is a prime example of a non-financial incentive which empowers employees, gives them a measurement of appreciation and enables growth in the content theories of motivation higher echelons of needs such as self-esteem needs. Also, when employees are able to express themselves freely and take part in the organizational processes, feelings of autonomy and self-guided behaviour are enhanced. Employee voice has also distinct links to the goal-setting theory’s moderator variables especially the commitment factor as employees become more committed in the goal-setting process if their voices are heard by the managers.

#### 4.3.4 *Inner motivation*

**Inner motivation** mentioned in the interview data as a motivator represents a somewhat mysterious part of motivation, which is hard to explain or uncover. Inner motivation does not fit in the traditional sphere of motivators, which were presented in the previous paragraphs. Inner motivation could be described by the dichotomy of intrinsic and extrinsic motivation. Intrinsic motivation is the execution of certain activities, without no visible external motivators governing the decision-making, whereas extrinsic motivation is the execution of tasks with external rewards or punishments governing the action-taking. (Latham 2012, 106.)

*”In our company, it is very much encouraged to find our own inner motivation, not so much on the external incentives, but rather on self-knowledge and self-development.”* (Sales Manager B, 23.11.2017)

It is clear that high intrinsic motivation is encouraged and needed to successfully execute job tasks on a long-term basis. However, the difficult factor is that one does not simply get motivated without supporting practices, work design and incentives. Even though incentives may be regarded mainly as an external tool to motivate employees, non-financial incentives are precisely the ones needed in elevating intrinsic or inner motivation. Although no more specific motivators were mentioned by the sales people to describe inner motivation; motivators commonly contributed to inner are self-determination, competence challenge and task involvement. Also, interest in the task itself and curiosity are aspects related to intrinsic motivation. (Amabile 1993, 190.) Although, the inner motivation factor in itself is vague in terminology the company has non-financial incentives in place, which try to influence inner motivation. First, the company effects the employees’ inner motivation or intrinsic motivation factors through **recruitment**. In the recruitment phase of new sales people, the company can take steps to ensure they recruit innately intrinsically motivated individuals, who have the desire to work in sales and to excel in a sales position.

*“We have a great focus on who do we recruit, because a wrong recruitment decision can cause the current employees to search for another job”* (HR Manager, interview 3.4.2017)

In the recruitment process, an honest description of the sales position and what is expected from the individual are needed to ensure the applicant realizes the reality of working in sales and has the motivation to engage in sales work. In the context of sales, the data suggests that people working in sales must have high internal or inner motivation in the

first place, and motivation just does not trickle down from higher ups. As intrinsic motivation is best described by having the desire to engage in work tasks, without any external rewarding or punishing factors in work (Latham 2012, 106), it would suggest that sales people have to love the act of selling and every process step needed in sales to be intrinsically motivated. In the case company, it seems that the individuals are encouraged to find their own inner motivation to be motivated and stay motivated through coaching and defining outspokenly what motivates them (Head of Sales, interview 3.4.2017; HR Manager, interview 3.4.2017). Also, at the beginning of the initial recruitment to the company a session is organized with a mentor to discuss openly what are the individual's goals on personal development. This way the company can understand the employees better and be able to motivate them in the future more effectively, when knowing how this specific individual gets motivated.

The second type of non-financial incentive used in enhancing the inner motivation factor is **recognition**. Employees can of course be recognized both financially and non-financially, and they both effect motivation. Also, in the case company recognition takes many forms, such as handing out the Achiever award of the year to a distinctively successful sales person or merely engaging in high fives once a substantial deal is closed. To add, company-wide celebratory practices are common if personal or organizational targets are reached. (HR Manager, interview 3.4.2017; Sales Manager B, interview 23.11.2017.) Recognizing individual performance through non-financial means transmits feelings of self-worth, but also works as a metric for knowledge of results to the employees. In other words, if employees are recognized justifiably, they know that they have taken the correct actions in reaching the goal. Adversely, if employees are not recognized, although they should have been, feelings of confusion and de-motivation may ensue.

To add to the discussion of recognition, financial incentives are to be mentioned in this thesis. Financial incentives were not the focus of this thesis, but to provide a wide enough picture nevertheless they cannot be dismissed, as they naturally are an integral part of the case company's sales force motivation. Financial incentives in the case company include base pay, team-based bonuses and the possibility to acquire shares through a company wide equity scheme. (Sales Manager A, interview 3.4.2017). The salaries are more or less the same in the case company (Sales Manager B, interview 23.11.2017), so the salary policy is in line with the theoretical discussion of how financial incentives should be given to employees. Bonuses are given to employees measuring the utilization rate of their resources. In other words, how many of their consultants are working in a project during a certain time period. Thus, the bonuses are dependent on the efforts of the whole company; sales, consulting and recruitment (HR Manager, 3.4.2017). Traditionally financial incentives and remuneration are considered to be very important to the sales

force. The importance however can depreciate in value, if financial incentives become the basis for every work task, as it is stated by the Head of Sales:

*”Money is very important. It should be at an adequate level. I used to work with commission, and you start to calculate how much you should work to reach the next income level and the focus is not in the work itself anymore”*  
(Head of Sales, interview 3.4.2017)

This finding would suggest that financial incentives such as money can have adverse effects in terms of how financial incentives guide the behaviour and motivations of employees. The theories on incentives seem only to discuss the possibilities of how financial incentives motivate people in a positive way. However, it seems that if, for example, high commission are used, employees can begin to calculate how to maximize their personal profit and satisfaction possibly on the expense of the company. In the case company financial incentives are regarded mainly as metric of appreciation from the company and as a metric of task complexity (Sales Manager A, interview 3.4.2017; HR Manager, interview 3.4.2017). Remuneration is needed in order to keep the workers satisfied, and be adequate in relation on what kind of a job one is engaging in. For sales people, as the job itself can be burdening and sometimes overwhelming, financial incentives are regarded to be of importance as stated by Sales Manager A:

*”Money is important of course. It’s obvious that people do not want to get in to sales necessarily. It’s hard work, and has to be compensated adequately.”* (Sales Manager A, interview 3.4.2017)

It is however, what is the threshold for adequate compensation. It is suggested by the findings that money seems to satisfy basic needs but ceases to influence as a vital motivator when an invisible threshold is crossed. Other emergent motivational themes emerge once financial incentives are in place and adequate, as stated by the interviewees. This is in line with the theories, that at a certain point money ceases to motivate. What is not clear, is that where is this threshold. Without a doubt, the threshold is individual and situational.

An interesting finding on financial incentives ability to motivate is that the motivational effect of financial incentives is very situational. Based on the general life situation, age, experience and the employment position the need for money as a motivator varies. A sales person can regard money to be very important, because he or she regards the sales job as challenging and stressful compared to for example to an individual working a back-office position (Sales Manager B, interview 23.11.2017). Financial



incentives' motivational value thus works in context to the psychological and environmental states an employee is embedded in.

#### **4.4 Motivational value of non-financial incentives**

As both financial and non-financial incentives are used in motivating sales people, it is worthwhile to understand *why non-financial incentives have motivational value*. To clarify, by motivational value, the researcher implies simply why and how non-financial incentives bring value to employee motivation in terms of enhancing and retaining it. According to the gathered interview data, there are two main factors which explain the motivational value of non-financial incentives, which are presented in the following subchapters.

##### **4.4.1 Longer motivational life-span**

First, non-financial incentives tend to motivate on a **longer motivational life-span**. In other words, the motivational effect of non-financial incentive versus financial incentive lasts much longer. To illustrate this further, non-financial incentives such as personal development and growth, learning at the work place, and freedom, drive the employees further time wise, not by having a peak-like motivational boost to their work performance, but rather creating a working environment in which the employees enjoy themselves. Comparing to financial incentives through which a sales person may experience a boost in motivation if a bonus is issued once a numeric sales quota is reached, but as soon as the incentive is withdrawn motivation declines accordingly. To add, one cannot withdraw non-financial incentives as easily as financial ones, because the organization must make substantial changes to their core working practices and to the way the job itself is built. Even if learning and development are suppressed at the work place, these incentives can continue to motivate as they are assets for the future.

*"The non-monetary aspect of motivation is that it has more effect on the long run. Things like learning on the job is super motivating as you can use it in your future career paths". (Sales Manager A, interview 23.11.2017)*

The motivational value of non-financial incentives in terms of a longer lasting motivational effect can also be argued by a different viewpoint. By applying financial remuneration to the motivational toolbox, employees can begin to calculate how much

they have to engage in an activity to reach the next set level of, for example, a quota set bonus. If a sales person is already satisfied in terms of their financial gain, reaching another goal to elevate their remuneration potential can become uninteresting and the focus shifts away from the work itself. (Head of Sales, interview 3.4.2017.) Non-financial incentives lack the previously mentioned possibility for employees to optimize personal gain from a non-financial incentive, thus shifting their inputs in a negative manner.

Another notion is that non-financial incentives can be considered as investments to one's professional and personal future.

*“In my opinion, the main non-financial incentives are growth and development. Money just makes your free time more fun. People should understand that growth and development are an investment in to the future. You gain knowledge, know-how, experience and learn, so you have a higher market value as an employee anywhere you go in work-life. It is a huge incentive.”* (Head of Sales, interview 3.4.2017)

If employees consider non-financial incentives to be an investment into one's future, then it is evident that non-financial incentives bring value to motivation through motivating on a longer time-period than, for example, monthly bonuses. To add, as stated in this thesis for any motivation to occur three cornerstones are needed: direction, intensity of effort and persistence (Latham 2012, 7; Weitz, Sujana, & Sujana 1986, 180). Non-financial incentives seem to fit best in governing the persistence factor of motivation, in other words time spent in engaging in a certain behaviour in reaching a goal or a wanted task.

#### **4.4.2 Deeper psychological impact**

The second factor of how non-financial incentives bring value to motivation is that they effect individuals through a **deeper psychological impact**. Although, financial incentives can be more easily measured, and their motivational effect can also be calculated to some extent, according to the interview data, non-financial incentives are more personal.

*“I think they (non-financial incentives) touch on a deeper psychological level and have more emotional impact. It talks to our social needs.”* (HR Manager, interview 3.4.2017)

Non-financial incentives recognize employees more as human beings and individuals than a factor in the organizations productivity function. As social and relatedness factors are mentioned widely and are at the core of many motivation theories, this finding is not that surprising. The deeper emotional impact of non-financial incentives may be due the fact, that non-financial incentives are wider in scope and can be suited to an individuals' personal motivators more effectively. Adversely, financial incentives always have the element of financial gain or remuneration at their core, and work as instruments to satisfy a need which is important to the individual. In other words, their effect is always more instrumental to an end goal of a need and the importance of the incentive in itself is unclear, whereas recognition or freedom can be important as themselves and may no have any instrumental value, but rather intrinsic value to the individual.

The discussion of non-financial incentives having more intrinsic value, that is value in themselves, to the individuals of the sales force links back to the most basic fundamentals of motivation; the needs of self-esteem and self-actualization, which are widely discussed in the content theories of motivation. This stated, it is not to be implied that financial incentives cannot bring value to the higher echelons of motivation. Of course, financial gain and remuneration can affect for example self-esteem needs, but financial remuneration is in its essence very one-sided as an incentive tool for motivation. All of the financial incentives discussed in sub-chapter 2.4.1 have the feature of some kind of a financial gain to the individual, so gaining remuneration is the basis of their motivational effect. Thus, no thought is given to the notion, that individuals as psychological creatures are complex and far more multi-faceted than the use of financial incentives in work places suggest. As Herzberg (1968, 88) stated in his early works that if one wants a dog to move, one can hold a biscuit in front of the canine, but once the biscuit is given the dog will cease to move. The exact same effect is underlined here; one must exert pushing forces to motivation through non-financial incentives and not pull the employees to be motivated using financial incentives.

*"The non-financial incentives in our company aren't tied to a certain goal. Its more about enjoying yourself in your job and a good team spirit. I guess, that its' also part of non-financial incentives that you are seen as an individual and a human being than a resource. For me it's one of the most important factors in work life in general"* (Sales Manager B, interview 23.11.2017)

As the nature of non-financial incentives as motivational tools are somewhat complex, it is clear that they are rarely linked to any metric goal. The true value of non-financial incentives in motivation comes from the finding that non-financial incentives seem to take into account the individual in a more intricate, personalized and, at the same time,

broader way than financial incentives. In other words, non-financial incentives seem to be wider in scope, but at the same time more personal effecting the individual needs, aspirations, and personality characteristics. As motivation is deemed to always emerge and progress individually and employee needs and motivators are usually individually based, it can be suggested that non-financial incentives, such as freedom and recognition, work better in supporting these motivators, because such incentives are in their essence also more personal.

## 5 CONCLUSIONS

### 5.1 Theoretical contributions

The purpose of this thesis was to study the role of non-financial incentives in sales force motivation. To understand and analyze *what is the role of non-financial incentives in sales force motivation*, it was necessary to answer *what are the non-financial incentives used in motivating sales people* but also *why non-financial incentives have motivational value*. Although the research on motivation, incentives and sales people is supported on many occasions by the findings, there are two main theoretical implications from this thesis.

First, the current state of knowledge suggests that sales people tend to favor financial incentives, such as commission and bonuses, over non-financial incentives. (McColl-Kennedy 1993, 18; Berl & Williamson 1987, 60; Lopez, Hopkins & Raymond 2006, 388.) Excluding the fact that every sales person is an individual and this may be the case in some instances. The findings of this study suggest that not only the sales force does not mention money or financial to be motivators, but also that the role of financial incentives is small in stature in the case company. What emerges as the most important motivators and incentives are in fact non-financial in nature. Also, the nature of the sales force motivators imply that they can only be incentivized through non-financial means. For example, autonomy is difficult to motivate through financial incentives. Of course, this also works vice versa the desire for a high pay level, is difficult to support by recognizing the employee for a job well done. To sum, the implication from this study is that the nature of the individual motivators in the case company sales force, suggest that they are best incentivized through non-financial incentives. In other words, the incentive should fit the motivator, because what drives the individual onwards defines which kind of incentivizing is needed. The current discussion on motivational value and motivation in general is based on the salience of an incentive or a reward. (Vroom 1964, 15–19; Pullins 2001, 407). Also, motivational theory suggests that once a need or a goal is satisfied, motivation declines, and another need or a goal is sought after. Not much is discussed in the motivational theories about the motivational value of financial or non-financial incentives. In other words, not all motivation or incentivizing is on the same level in terms of effectiveness, profoundness and motivational continuity in terms of time. *The findings suggest that especially non-financial incentives have a more profound and longer lasting motivational effect than the theory suggest with its very need-satisfaction based dichotomy.*

Second, the theoretical discussion on incentives presents a strong understanding of which incentives are used in motivating sales people and other employees. For the most part the findings are similar to the ones the theoretical discussion present and fit into the

two categories presented by Armstrong (2007, 37); *learning and development* and *work environment*. However, a few factors should be regarded as incentives in a sales force context. Recruitment decisions, working culture, freedom and organizational structure should be added into the discussion on non-financial incentives. To illustrate this further, these factors effect individual motivators and thus motivation. For example, if freedom is a governing theme or practice in the work place, employees have the possibility and the support to engage in whatever task, process step, goal, or behaviour they want to. This in turn creates a working environment, in which employees can experience these higher order needs of autonomy, self-actualization, or growth needs. This said, it is true that both, incentive theories and motivation theories, mention the work environment to be an integral part of employee motivation, however, recruitment decisions, working culture, freedom and organizational structure should be presented and studied individually. To illustrate and demonstrate this implication, each of the mentioned incentive, which were emergent in the findings, work individually in terms of which motivator they tap into and what is their motivational effect.

## **5.2 Managerial implications**

The findings suggest that non-financial incentives used in motivating the sales people are more varied and complex than the research on sales people and motivation tend to suggest. Especially the research on sales people implies that sales people are mainly driven by financial remuneration and other type of financial incentivizing. However, the findings suggest that to achieve a satisfied and motivated work force a myriad of different non-financial incentives should be in place. Financial incentives are important to a certain extent, but it is unclear what is the threshold of financial satisfaction to sales people. What is vital to any company with a sales force is the necessity of understanding the commonly found characteristics of the subjects of motivation and incentives is important for the whole motivational structure to work in the first place. If financial incentives, such as bonuses or commission plans, are put in place via managerial authority or non-monetary incentives, such as recognition or autonomous work, are created through revamping the work culture, it is essential to understand the end-users of motivation; the sales force. If managers are able to understand what kind of a bell curve they are looking at when assessing their employees, it may be easier to use incentives, both financial and non-financial, to enhance work productivity and turn on a bigger profit, without trying a myriad of tactics before finding the best motivational practices. The whole motivational process begins from the employees, through understanding what kind of people have been recruited, which kinds of backgrounds do they come from, and what are their goals, the organization has the possibility to create and implement incentives which really work. To

add, an important feature of the discussion on incentives is that sales people specific non-financial incentives are troublesome to find. To illustrate this, it seems that work sociologies between sales people and non-sales people tend to become closer to one and another. Today's sales jobs are more similar to non-sales jobs than before. Sales people engage in tasks, which are not linked straight to sales activities, so it could be argued that general employee non-financial incentives work just as fine as sales force specific incentives, which tend to be associated only to the financial side of incentives.

Another managerial implication is that the findings suggest, that not all incentivizing is equal in motivational value, especially from the viewpoint of the duration of motivational effect. Although, both incentive types are very much needed to motivate a sales force, the difference is in the profoundness and durability of motivation. Financial incentives are valuable in boosting motivation on the short term for example in a sales competition with a monetary price, but their effectiveness start to decline rapidly once withdrawn. Non-financial incentives can possess the ability to motivate on a longer time period due to a more profound meaning to the individual. For example, incentives which fall under *learning and development* are considered to be investments into the future according to the findings. The company and its higher ups should evaluate with great care which kind of incentive structures are put in place, but also which kinds of incentives emerge from the work itself. If sales people are able to learn, develop and grow, but also heard as individuals, and valued, they will be motivated and stay motivated for a longer period of time. This said, both, financial incentives and non-financial incentives are needed to ensure that there are no shortfalls in the motivational environment of the company. Sales people should be adequately paid depending on their responsibilities and duties, but also regarded as individuals with their specific needs, aspirations, and desires, which can be in some cases better motivated through non-financial means.

### **5.3 Limitations of the study and future research**

This thesis was done as a single-case study focusing on one Finnish technology consulting company and its sales force. The presented findings and implications present a restricted reality of a broad phenomenon of employee motivation. A wider range of case companies and a larger number of interviewees would be needed to present a more holistic and broader picture of the studied issues. There are two main limitations concerning generalization from this study. First, the studied phenomenon of motivation is very individualistic, so generalizing these findings to a wider range of sales people is not possible. Second, the data set of interviewees is not large enough to present full understanding of sales people motivation.

For future research purposes it is suggested to focus on either to one prominent motivation theory or a choice between the content theories of motivation and the process theories of motivation. This way a more specific theoretical framework could be presented and discussed and the similarities or irregularities between the findings and the theory would be clearer. It would be interesting to study the non-financial incentives role in long-term and short-term goal orientation, because goals still define many sales jobs of today. Also, it would be worthwhile to seek understand on how the role of non-financial incentives changes in companies with long or short-term sales cycles. To add, how financial or non-financial incentives change sales people's selling tactics would be a very practical and useful study to conduct. Also, an interesting suggestion for future study would be how does company culture effect sales people motivation.



## 6 SUMMARY

Sales professionals operate in an environment susceptible to market fluctuations and internal and external pressure from clients and the organization. Thus, it is crucial to understand what motivates and drives the individuals of a sales force is vital in determining company success in the long-run. More importantly, as financial incentives are the norm in 21<sup>st</sup> century sales organizations, it is important to understand how sales professionals are motivated and retained through non-financial incentives.

The purpose of this study is to investigate the role of non-financial incentives in B2B sales force motivation. The research sheds light to this phenomenon through studying what non-financial incentives are used in motivating the sales force and, how non-financial incentives have motivational value to employees.

The theoretical framework of the study is constructed through presenting and discussing the current state of knowledge of motivation, sales people as a workplace demographic. and employee incentives. First, a wide range of motivation theories is discussed with the focus on content and process theories of motivation. Second, the specific characteristics of motivating sales people and their personality types are analyzed. Third, employee incentives are discussed to create a wide understanding of the targets of motivation, their specifics, and motivation as a phenomenon.

This study was done as a single-case study using qualitative methods and focusing on one Finnish technology consulting company. More specifically, the sales force consisting of four individuals was at the focal point of the data collection. The main data collection was done through four interviews with individuals from the case company's sales force.

The study supports the theoretical framework to a large extent. However, there are a few distinct notions which should be taken into account in the theoretical discussion, but also managerially. First, the widely accepted notion that sales people tend to favor financial incentives over non-financial incentives is not supported by this study. According to the findings non-financial incentives such as freedom, learning and the work itself seem to be of great importance to the case company sales people. Also, managers should take into account the fact that not all motivation is equally valuable. Non-financial incentives seem to drive motivation on a longer time period and more profoundly than financial incentives.

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## **APPENDICES**

### **6.1 Interview questions**

Q1: What motivates sales people? How are you motivated?

Q2: How does the company attempt to motivate you

Q3: Are you motivated individually or focusing on the whole team? Why?

Q3: What do you consider non-financial incentives to be?

Q4: How are you compensated financially?

Q5: How important do you consider financial remuneration to be in a motivational context?

Q6: What types of non-financial incentives do you have in your company?

Q7: How does the company ensure employee commitment?

Q8: Do you have clear career paths, development programs or well-being programs?

Q9: How is feedback given in the company?

Q10: How is success recognized in your company?

Q11: What characteristics do successful sales people possess?

Q12: What are your daily selling activities?

Q13: How would you describe a sales person?