

**Self-Selected Sales Incentives:
Evidence of their Effectiveness, Persistence, Durability, and Mechanisms**

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Executive Summary

Sales force incentivizing is a major success factor for firms but also presents a strong managerial challenge (Coughlan and Joseph 2012). By assuming homogeneous sales forces, most of the prior research in this area does not account for differences among sales employees. Thus, knowledge is scarce on how firms can design incentives to match sales employees' individual preferences. This scarcity is surprising for at least two reasons. First, evidence indicates that identical incentives do not equally motivate all employees within a sales force. Second, empirical proof demonstrates that firms struggle to individualize their incentives owing to, for example, efficiency, intricacy, and fairness issues (Steenburgh and Ahearne 2012).

For these reasons, sales force incentive individualization constitutes the focus of this study. Drawing on goal-setting theory, this study develops a new self-selected incentive scheme. Within this scheme, a sales employee chooses an individualized goal–reward level combination from a menu the firm proposes given the employee's past performance. To test the effects of the self-selected incentive scheme, the authors conducted two field experiments with 794 sales employees in two Fortune 500 companies. Results of both experiments show that, as compared to two quota systems that are wide-spread in management practice, sales employees' performance increased substantially under the self-selected incentive scheme. In addition, findings reveal that the performance increase induced by this scheme is substantially greater for sales employees with a high variation in past performance and for employees with a low and

medium past-performance level. Moreover, the authors find that the effects of the self-selected incentive scheme are not only durable when offered again but are also persistent after the scheme is removed. Through two additional online experiments, the authors extend the findings of the field studies and isolate the mechanisms of the self-selected incentive scheme.