

“Incentive Infusion: Catalyzing Orange Kimono Software’s Sales Force ”

An overview of the incentive structures of **Orange Kimono Software** - a north England-based B2B software company is represented in the two tables on the right. Identifying their root cause using the EPO Model, we suggest the following recommendations concerning the intrinsic and extrinsic motivation of the sales representatives.

Original Incentive Scheme (2004)

Key Characteristic	Problem	Root Cause
Sales people had a region for which they were responsible	Employee performance was based more on the success of the region rather than individual sales skills leading to low skilled employees earning high rewards & vice-versa	Effort (E) ≠ Performance (P) Performance (P) ≠ Outcome (O)
Sales people were paid a fair basic pay with a easily achievable target and 10% commission on above target sales	An attainable target led to lack of employee motivation and increased laziness	E ≠ P (Easy & Unchanged Incentive Scheme)
No measure to track customer satisfaction	Bad Customer Experience	P ≠ O (Ineffective Management)

New Model (2008 onwards)

Key Characteristic	Problem	Root Cause
Sales people get opportunities instead of territories, leads are shared equally	Conflict within teams and deal stealing, no help given to other people’s customers	E ≠ P (Employee focus on leads rather than company growth)
All reps have harder targets with a \$1600 reward	35% sales force left, no measurable increase in performance despite changing the model and hiring a BCG consultant for expertise	P ≠ O (No focus on non-monetary incentives and what sales reps find rewarding)
Leads not being tracked	Sales rep got rewarded tracking leads and doing low skilled telesales job, resulting in pay inequity and jealousy amongst reps	E ≠ P (No structure or distinction for tele-sales roles)
Web & reseller sales commission-less unless worked by sales person	Reps push customers to purchase through them and not resellers, rampant discounting affecting firm’s bottom line, customer experience and brand image	P ≠ O (Misplaced Incentives)

Pfeffer and Sutton have

identified that businesses widely believe that “Financial incentives are the most important of all motivators” thus impacting individual task performance. (HBS, 2007) However, empirical research indicates that monetary compensation doesn’t necessarily create an internal drive; intrinsic motivators play a bigger role in stimulating job performance. (TEDGlobal, 2009) While financial incentives are not completely futile and can motivate employees if implemented correctly, Orange Kimono Software (**OKS**) has fallen into the trap of overemphasizing the effects of financial incentives while overlooking intrinsic motivational methods for its salespeople.

The OKS management, in its goal to promote collaboration and equity, implemented the variable pay model followed by an equal-leads model but faced a huge problem of unhealthy competition amongst representatives, deal stealing, and a 35% attrition rate. To resolve this, our primary recommendation is that OKS must transition to a team-based model, where each team is rewarded for their overall performance. Additionally, individual assessment metrics must be established for each team member to receive their fair share of bonus from the team's reward, based on their efforts and performance. Having a team-first focus should avoid conflicts among team members and motivate the salespeople to work harder as a group, avoiding pitfalls of the previous models and prioritizing overall company growth. (Chow, 2023)

OKS must also redefine metrics to provide a holistic assessment of performance, beyond just sales revenue. Pfeffer emphasizes that a commission-based model discourages employees from investing time in customers who have a low immediate revenue potential, which results in a poor customer experience. (HBS, 2007). Reinforcing the core company vision and incorporating holistic metrics such as customer satisfaction, customer retention ratio, and peer feedback while evaluating the performance of salespeople is essential in ensuring employee efforts lead to measurable impact and customer conversion. (E=P / P=O) A detailed description of the company's values, mission, and vision is further discussed in *Appendix 1.1*.

In high-pressure jobs such as that of a sales rep at OKS, providing extra financial incentives can even deteriorate performance. Dan Pink highlights the ineffectiveness of the traditional '*Carrot and Stick*' approach and shifts focus to intrinsic motivators: Autonomy, Mastery & Purpose to drive long-term employee growth. (TEDGlobal, 2009)

The first step to Autonomy among representatives is by '**Providing Tools not Rules**'. It is imperative that OKS trusts their employees' judgment and helps them discover their unique

communication style. Allowing for creativity in sales pitch scripts to customers instead of following a standard monotonous dialogue can help employees tap into their hidden potential. OKS management must focus on goal-setting by working with each representative to set their performance metrics and targets, providing management an opportunity to learn what motivates and matters to the employees. This sense of autonomy should drive employees to work towards attaining goals that matter to them as well as help grow the business. To effectively motivate staff and to bridge the gap between efforts, performance, and outcomes - it is also crucial to discuss non-monetary rewards such as professional development opportunities in public speaking or leadership, peer/management recognition, customized gifts, and so on. (Chow, 2023) Managers, however, must be mindful that there is a practical implementation of the targets set and rewards given to ensure that they do not deviate from the company's key goals.

To provide Mastery, OKS must take strong initiatives in employee mentorship and training programs. Teams can be broken down based on the product line allowing representatives to specialize in selling particular products. Allowing for semi-annual rotation will ensure employees gain a diverse skill set while also promoting cross-team collaboration. Furthermore, as reflected in *Appendix 1.1*, it is important to consistently reinforce the team's shared Purpose of finding optimal solutions for all customers. Reminding salespeople that their daily efforts are significant in achieving a larger mission of solving customer problems shall foster improved motivation. (Chow, 2023) To better understand the intrinsic motivational factors of OKS salespeople, we have created **Maslow's Hierarchy of Needs** pyramid (*shown in Appendix 1.2*) that summarizes external and internal needs in a five-step hierarchical order.

It is important to recognize the costs associated with our proposed changes in the incentive system as well as company structure. While it could be difficult to implement initially

and may even seem costlier in the short run, the improved incentive system, performance assessments, and motivational tools will help OKS optimize its employee output, and customer satisfaction and uphold its brand image. A strong evidence of the success of our measures can be gauged by assessing sales revenue trends (targeting a 5-7% increase QoQ), employee attrition rate (ensuring 0% attrition in the upcoming quarter), and customer satisfaction surveys. All in all, we are confident the newly proposed incentive infusion will catalyze Orange Kimono Software's sales force.

APPENDIX 1.1 - Vision and Mission Statement for Orange Kimono Software



ORANGE KIMONO SOFTWARE

VISION

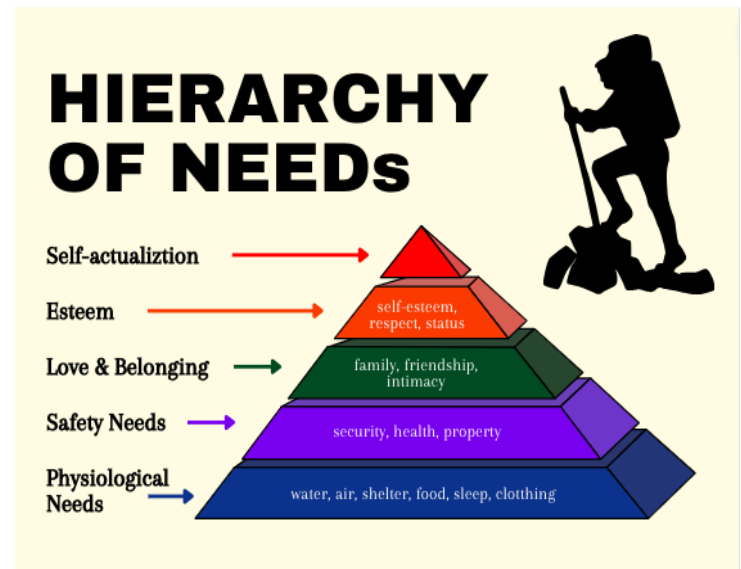
We are committed to revolutionizing B2B global software sales by cultivating a culture of motivation, fostering lasting sales talent, and exceeding customer expectations. Together, we aim to drive growth, inspire confidence, and reshape the future of service excellence

MISSION

- K** eeping our salesforce purpose-driven
- I** ncreasing inclusiveness and strengthening team bonds
- M** otivating through individual empowerment
- O** ffering autonomy for innovative tactics
- N** urturing progression with equal opportunities
- O** rganizing for collaborative excellence

APPENDIX 1.2 - Maslow's Hierarchy of Needs

Maslow's Hierarchy of Needs is a psychological theory that states people are motivated to fulfill needs in a hierarchical order, starting with the most basic physiological needs and progressing towards higher-level self-actualization needs. This five-stage model can be used to identify, rank, and prioritize intrinsic motivational factors of OKS salespeople.



1. **Physiological**: OKS must provide its salespeople with a minimal disposable income that aligns with the region and industry standard, to help meet their fundamental necessities
2. **Safety**: In addition to basic wages, OKS can focus on non-monetary services such as workplace safety, health coverage, and even additional perks for star employees
3. **Love & Belonging**: Flexible work hours, team-building activities, social events, peer feedback within different sales teams, employee assistance programs, open-door policies, and improved onboarding can help foster a sense of belonging within OKS.
4. **Esteem**: OKS must create a supportive work environment with a focus on training & development programs, individual public recognition, leadership, and career advancement opportunities to ensure salespeople have a strong sense of self-worth
5. **Self Actualization**: The highest form of psychological development is reached when salespeople tap into their full potential achieving career fulfillment through physical and mental wellness, social impact, and entrepreneurial success. Setting up a system aligned with **Autonomy, Mastery & Purpose** at OKS shall sow the seeds for self-actualization.

Bibliography

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