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## The power of **Inspiration vs. Compensation:** A comparison of experiences and merchandise versus cash

For decades, companies have used incentive programs for the purposes of maximizing performance. These incentive programs leverage many types of awards. While cash compensation is used as an award, non-cash, inspirational rewards - such as merchandise or experiences - have many advantages.

A few of these include:

- **Memorability:** Recipients are more likely to remember the trip or big screen tv they received than cash, which can get folded into the daily budget and used for buying gas or groceries.
- **Re-consumption:** Recipients re-live the positive emotions associated with earning the award each time they use it or talk about it.
- **Avoiding entitlement:** Monetary awards often become viewed as part of regular compensation and lead the recipient to expect the same or more cash in the future, an expectation that may not be sustainable.

Despite these advantages, questions persist about whether non-monetary awards are more effective in motivating behavior. Prior research has indicated this is the case, and current research conducted by BI WORLDWIDE examines this in the context of a sales incentive contest.

### Method

Salespeople from a leading hard goods manufacturer participated in a BI WORLDWIDE **GoalQuest®** incentive program. The GoalQuest approach asks each salesperson to select one of three increasingly challenging sales goals with incremental awards. This patented award structure leverages 'risk-reward' dynamics to drive salesperson performance—the greater the risk, the bigger the reward.

In this client's situation, tangible awards are the primary reward (participants receive points that can be redeemed for merchandise or experiences).

However, participants in California were offered cash rewards, which were slightly higher at each goal level than the monetary equivalent of the inspirational points award.

A total of 1311 salespeople participated in the program, 116 from California and 1195 from the rest of the United States. To compare California results to the rest of the U.S. a robust statistical approach was used (Propensity Score Matching) to select a matching control group of 116 salespeople from

To compare California results to the rest of the U.S., a control group of **116 salespeople** was selected from **the 1195 participants** outside of California.

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the 1195 participants outside of California. This approach reduced potential bias between the test and control groups by matching on several factors including:

- **Goal level selected**
- **Historical performance**
- **Years of experience**

The GoalQuest program operated for five-weeks starting on 8/28/22 through 10/1/22. At the end of the program their performance was determined relative to their chosen goal.

**Results**

Two specific measures were used to evaluate success: the percentage of a group achieving their goal and average performance relative to the goal. The inspiration (points) control group performed better than the cash compensation group on both measures.

	<b>% Achieved Goal</b>	<b>Avg. Goal Performance</b>
<b>Inspiration (Points) Control Group</b>	<b>32%</b>	<b>94%</b>
<b>Cash Compensation</b>	<b>25%</b>	<b>88%</b>
<b>Difference</b>	<b>+7%</b>	<b>+6%</b>

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**Discussion**

In this incentive program, inspirational awards proved to be more effective than cash in motivating salesperson behavior—even when the cash rewards were slightly larger. This finding supports the view that increased motivational effectiveness should be added

This finding supports the view that **increased motivational effectiveness should be added to the list of inspirational award advantages.**

to the list of experiences and merchandise award advantages.

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Neil Helgeson, Director, Insights Lab for BI WORLDWIDE, has over 30 years of experience as a statistician and methodologist in both business and academia where he has been involved in the design and analysis of hundreds of research projects. He has written papers and taught courses on data use and interpretation utilizing a broad range of multi-variate and univariate techniques. He is currently a Director of the Insights Lab at BI WORLDWIDE and heads its thought leadership function.



Barry Danielson, Vice President, Decision Sciences for BI WORLDWIDE, is a 25-year veteran social researcher, analyst and consultant. He is an expert in determining how an organization's performance metrics relate to the firm's strategic plans. Danielson routinely oversees the design, execution, reporting and ongoing consulting for large-scale client engagements, resulting in significant business improvement.