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Do Commissions Displayed in Real-Time Improve Sales Motivation and Performance?



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“ Between stimulus and response there is a space. In that space is our power to choose our response. In our response lies our growth and freedom.

VIKTOR FRANKL, MAN'S SEARCH FOR MEANING

“ I would like to give you something more permanent, but I can only point the way. I have no formula for winning the race. Everyone runs in her own way, or his own way. And where does the power come from, to see the race to its end? From within...

ERIC LIDDELL QUOTED IN CHARIOTS OF FIRE (MY EMPHASIS)



My Dad, Randy Paul, is a fan of the movie Chariots of Fire. I've watched the movie dozens of times. I grew up listening to the soundtrack on family road trips. You've probably heard the theme song at some point in your life. (If you love the theme song and happen to love Jazz, check out The Bad Plus cover.)

For my Dad, the highlight of the film is when the hero Eric Liddell is knocked to the ground during an Olympic qualifying race. Instead of giving up, he gets up and wins the race from behind. My Dad has a still-frame image from the film above his deck showing Eric just after falls as he is preparing to get up and run again.

I think of that image when I think about motivation. The picture above shows Eric winning at the 1924 Olympics.

Motivation is an interesting word. The Latin root calls to mind what moves a person. What causes you to act? What drives you? What causes you to get up when you are exhausted, discouraged, or frustrated? It's a wonderful puzzle, isn't it?

Viktor Frankl described it as our ultimate freedom—the power to act in the space between stimulus and response.

What does this have to do with commission software? Not much honestly. Commission software is never going to fill that "space" that Frankl is talking about. However, some new research is digging deeper into the puzzle of motivation. Given Spiff's ultimate goal is to drive peak business performance, we care a lot about this question.

In this post, we'll talk about some new motivation research and how it relates to real-time feedback. We'll cover the following topics:

- Real-Time Motivation Research: The Power of Immediacy
- What Does Real-Time Mean?
- How Do Reps Perceive Real-Time Commissions?
- Real-Time Benefits for Sales
- Real-Time Benefits for Finance / Sales Ops
- Real-Time Commissions at Your Company

Real-Time Motivation Research: The Power of Immediacy

Most research on motivation talks about the distinction between intrinsic and extrinsic motivation. Intrinsic motivation comes from within. Extrinsic motivation comes from sources outside a person.



We've gone into more detail on these differences in a previous article:

Extrinsic vs Intrinsic Motivators

Extrinsic motivators have received a lot of bad press lately but they are still very effective for certain tasks and personalities. Intrinsic motivators require no cash and can be very powerful.

Extrinsic Motivators

- Cash
- Power / Prestige
- Experiences

Intrinsic Motivators

- Autonomy
- Mastery
- Purpose

A lot of recent research shows that intrinsic motivation leads to superior and longer-lasting results. Some research has even shown that some extrinsic motivators can actually demotivate people. Research has shown that cash motivation can sometimes create a “crowding out” or “distraction” effect that can be demotivating in certain cases. Or the offer of extrinsic rewards can actually cause the person to assume that the underlying activity is unpleasant.

New research by Kaitlyn Woolley and Ayelet Fishbach has introduced an important new dimension. They start by summarizing two different theories of what creates intrinsic motivation:

Two Kinds of Intrinsic Motivators

Content



A person perceives a reward as *intrinsically* motivating based on the **content** of the reward. Intrinsically motivating content typically serves one of 3 goals: autonomy, competence, and relatedness.

Structure



A person perceives a reward as *intrinsically* motivating based on the **structural** fusion of the means and the end of an activity. In this view an activity becomes intrinsically motivating when the activity and the goal of the activity are closely associated so there is a sense of inseparability between the two.

In the content theory, a person perceives a reward as intrinsically motivating based on the content of the reward. Typically the content that works fosters a sense of autonomy, competence, and relatedness. For example, I love playing soccer...I love playing the game win or lose no matter how I play. I enjoy a sense of autonomy, (minimal) competence, and relatedness that comes from playing.

In the structure theory, a person perceives a reward as intrinsically motivating based on the structure of the reward. In this view something is motivating if the means of the activity (actually doing something) and the goal of the activity (why you are doing something) become "fused" in the person's mind. So there is a sense of inseparability between the two in the person's mind. Taking the soccer example again. It may be that I find soccer motivating because my main goal when playing soccer is just playing. The goal is the activity itself.

Wooley and Fishback also point out that most activities offer a combination of intrinsic and extrinsic rewards. Again playing soccer can be inherently enjoyable but it also provides external health benefits.

#1

Intrinsically motivated rewards are more powerful if they happen sooner than later. Immediacy makes intrinsic rewards more powerful.

#2

Though most activities offer a mix of intrinsic and extrinsic rewards, more immediate rewards make an activity feel more intrinsically motivating

#3

More immediate rewards increase the persistence of the motivation impact of a reward

Intrinsic

Intrinsic rewards are more powerful motivators than extrinsic. However intrinsic rewards become **less impactful the longer the delay** between activity and reward.

Intrinsic rewards become **more powerful and more persistently impactful** based on how **immediate** the reward is relative to the activity.

Extrinsic

Delayed extrinsic rewards are the **least impactful**.

Where an activity has both extrinsic and intrinsic rewards, immediacy magnifies the intrinsic portion. It will "feel more intrinsic."

Delayed

Immediate

So how does this relate to real-time commissions?

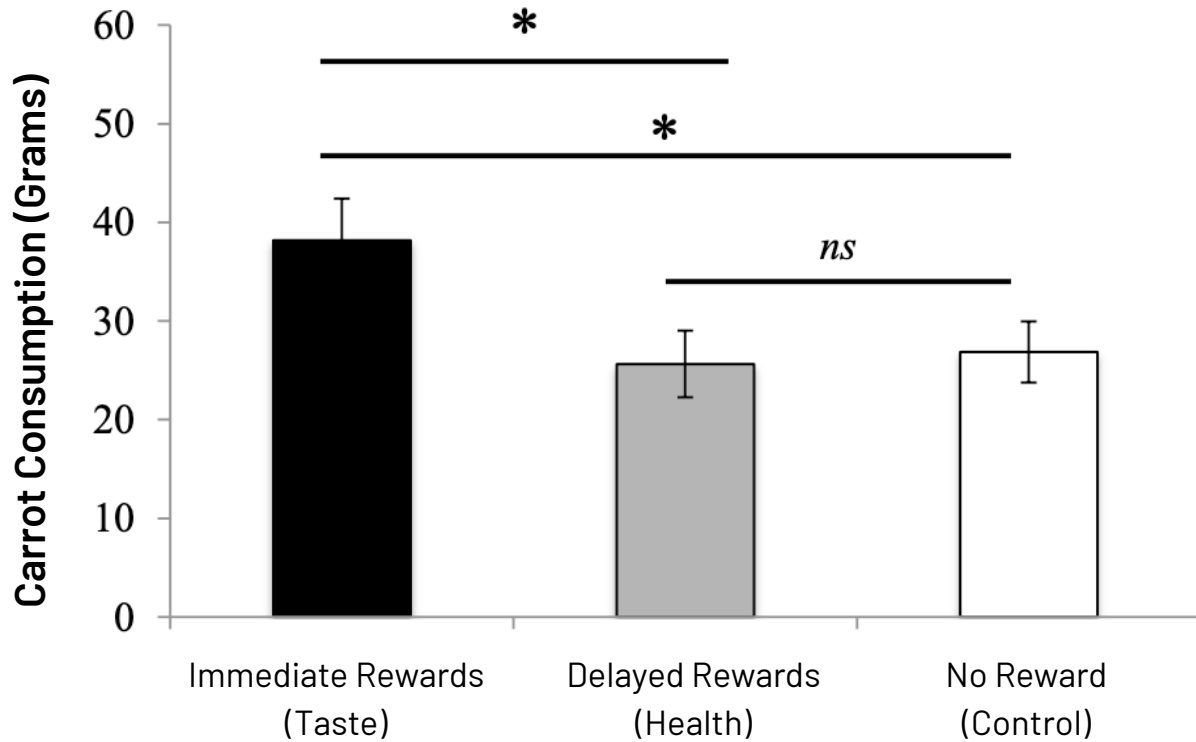
Basically, this research supports 3 conclusions:

1 Real-time commissions will be more powerful motivators than commissions with any delay

2 Real-time commissions will contribute to making a company's motivation strategies feel more intrinsic than commissions with a delay

3 Real-time commissions will lead to longer-lasting motivation than commissions with any delay

How big is the effect? Well, we can't speak with certainty for the world of commissions. However, we can show the impact from the research.



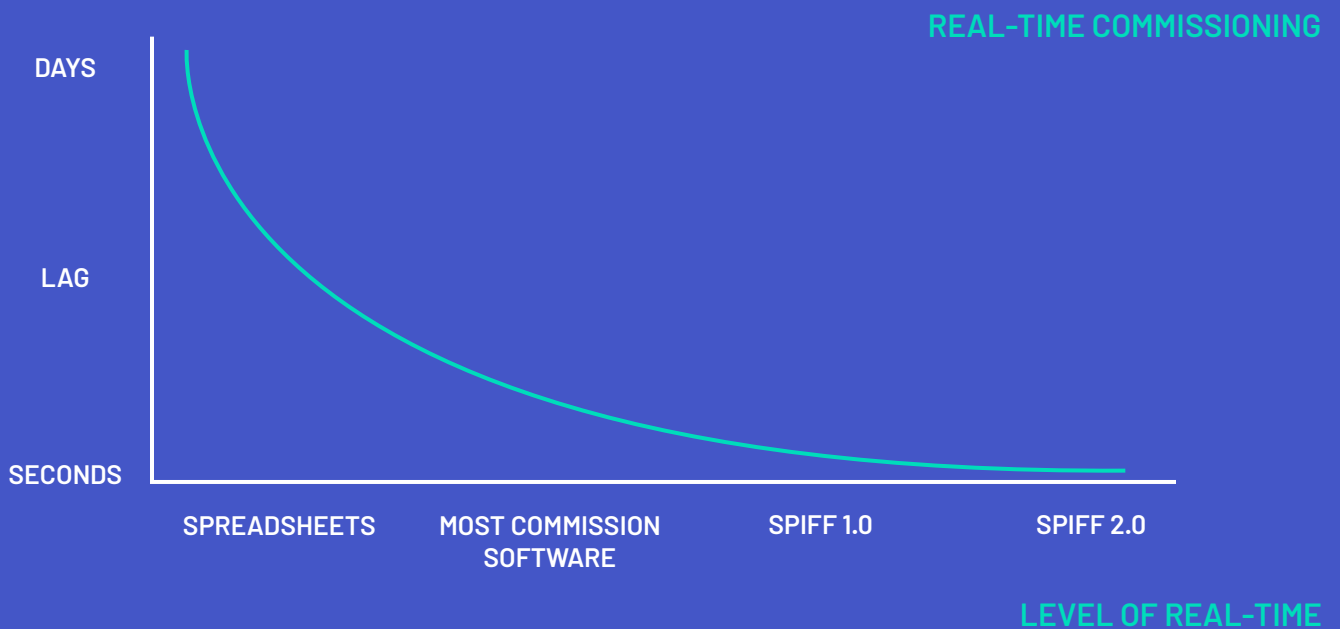
The paper references an experiment where researchers provided incentives to eat healthy food (carrots). They found that immediate rewards increased “performance” (carrot consumption) by ~36% relative to using delayed rewards or no rewards.

So does this mean that if you get your company on Spiff, revenue will increase by 36% immediately? Well...it will probably increase but not by that much. Let's talk about why. Before we do that we need to define what “real-time” commissions means.



What Does Real-Time Mean?

Real-time commissions mean commissions that calculate within minutes of source data changes. Spiff prides itself on getting your reps accurate commissions within minutes of closing a deal.



There are two major approaches software vendors take to updating commissions:

- 1 REPORT-BASED** — These systems start with reports in a connected system as their primary source of raw data. An example would be a Salesforce
- 2 OBJECT-BASED** — These systems link directly to the objects in a connected system as their primary source of raw data. An example would be linking to Salesforce Opportunities, LineItems, Orders, Pricebooks, etc.

REPORT-BASED COMMISSION SYSTEMS

Report-based commission software platforms don't hook into the specific objects in a connected system, like your CRM. Rather they use reports that you create (and update) in your CRM, for example let's say Salesforce. These systems start their commission calculations from reports in the connected system—let's say Salesforce. They use a Salesforce report for raw commission data. They then calculate commissions based on the data in the report.

One benefit of this approach is that these systems can often use existing reports you have already built. A drawback is that this approach is not actually "real-time." Reps will not be able to see how changes in the connected system affect their commissions any more frequently than you are willing to update your report.

Most companies update these reports once / month. So your reps will get feedback on their sales commission performance about 1 month after their efforts on average.

OBJECT-BASED COMMISSION SYSTEMS

Object-based commissions systems use two kinds real-time updates:

- 1 Polling updates
- 2 Pushed updates

Polling updates Happen whenever the commission system—say Spiff—asks the source system—say Salesforce—for updated information. Spiff gathers the updated information, puts it into Spiff, and recalculates commissions.

Pushed updates happen whenever the source system makes a change to a record. In this case the source system—again let's say Salesforce—would notify Spiff every time a relevant record changes. It would push the change information directly to Spiff very quickly (usually within seconds or minutes).

Some people think real-time means updating commission calculations once per day, and depending on your company's needs that may be frequently enough. Spiff currently allows users to set how frequently they want to update their commissions. Spiff customers would probably start reaching a practical limit at 20 minutes—meaning the most frequent update cycle possible on Spiff is probably every 20 minutes. Most of our largest customers update their commissions every hour, on the hour.

There is a big difference between monthly updates and hourly updates. When we refer to “real-time” in this article, we are referring to feedback that comes no longer than 30 minutes to 1 hour after an effort.

How Do Reps Perceive Real-Time Commissions?

Based on the research we've mentioned above, you might conclude rolling out Spiff at your company would dramatically increase sales performance.

However, the real question is when does a rep feel the reward of a commission? Is it when they see how much they will make? Or is it when they receive the actual check? Probably both. Currently Spiff will only help with the first of those rewards. Spiff helps reps see their accurate commissions every day. But currently we don't speed up when reps actually get paid.



So this is part of the reason why you might not see a 36% increase in performance immediately. Also, a lot of reps spend a lot of time calculating their commissions in what we call “shadow commission spreadsheets.” These are spreadsheets reps build to estimate their commissions.

So Spiff should increase performance but only by the difference reps feel between Spiff and their own estimated commissions.

However, as we have learned from this case study at Weave, one of the biggest benefits of Spiff is saving reps the time of calculating their own commissions.

Real-Time Benefits for Sales

Real-time commissions have additional benefits beyond motivation benefits. One rep described the day they find out their commissions as “either the best day of her life or the worst day of her life.” Real-time commissions completely eliminate these roller coaster feelings.



Based on our experience with clients, we’ve identified the following common benefits for sales reps:

- 1 Increased motivation and performance
- 2 Higher levels of satisfaction in their work
- 3 Lower churn among high-performing reps

- 4 Increased rep visibility into how to meet personal financial goals
- 5 Decreased stress and uncertainty at the end of a commission period
- 6 Significantly less time spent calculating commissions–i.e., more time producing
- 7 Fewer disputes at the end of a period–disputes are raised and resolved quickly

Real-Time Benefits for Finance / Sales Ops

We talk with hundreds of finance and sales ops professionals every month about commissions. Nearly 100% of these companies don't have a real-time commission process.



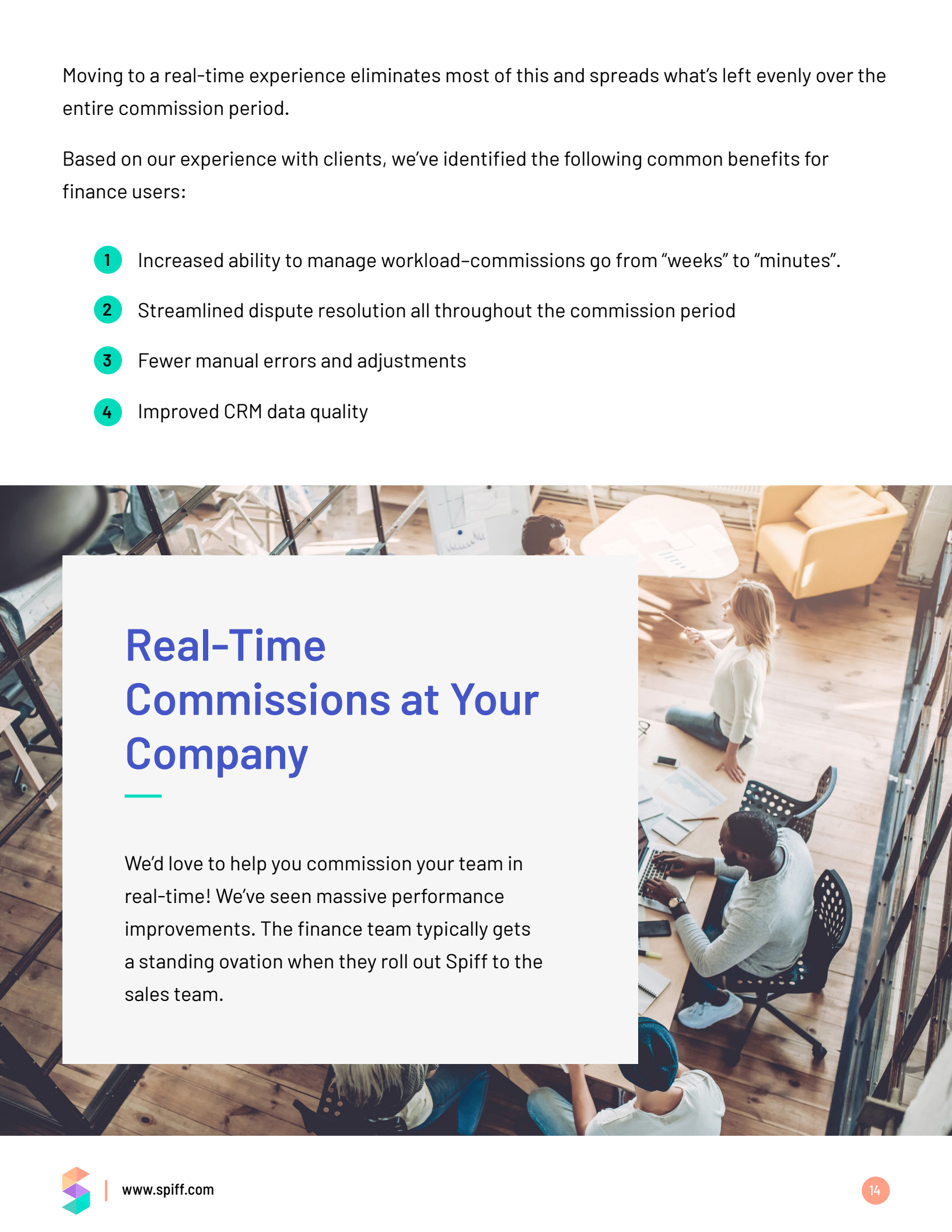
Finance reps perform heroic acts to get commissions out to reps within a few weeks of the end of the commission period. For most companies, this means that whoever calculates commissions has a “hell week” at the end of the month. During “hell week” this person:

- ④ Calculates hundreds of rep commissions,
- ④ Sends them out to reps/managers,
- ④ Gets barraged with angry comments about potential mistakes
- ④ Makes adjustments and overwrites
- ④ Sends out final commissions

Moving to a real-time experience eliminates most of this and spreads what's left evenly over the entire commission period.

Based on our experience with clients, we've identified the following common benefits for finance users:

- 1 Increased ability to manage workload—commissions go from “weeks” to “minutes”.
- 2 Streamlined dispute resolution all throughout the commission period
- 3 Fewer manual errors and adjustments
- 4 Improved CRM data quality



Real-Time Commissions at Your Company

We'd love to help you commission your team in real-time! We've seen massive performance improvements. The finance team typically gets a standing ovation when they roll out Spiff to the sales team.

Interested in Spiff?

Schedule a demo with a commission specialist today.

[SCHEDULE A DEMO HERE](#)



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