Improving Salesperson Performance: Intrinsic vs. Extrinsic Motivation
Valerie Good, PhD, Douglas E. Hughes, PhD, Ahmet H. Kirca, PhD, and Sean McGrath, PhD Candidate

Navigating Technostress and Entitled Employees
Kenneth J. Harris, PhD, Ranida B. Harris, PhD, Matthew Valle, PhD, John Carlson, PhD, Dawn S. Carlson, PhD, Suzanne Zivnuska, PhD, and Briceön Wiley, PhD

Influencing Negotiations: Salesperson Favor Requests
Veronica L. Thomas, PhD, Stephanie M. Mangus, PhD, and Dora E. Bock, PhD

Connecting with Clients: Best to Be Funny or Clever?
Holly S. Howe, PhD, Lingruí Zhou, PhD, Rodrigo S. Dias, PhD Candidate, and Gavan J. Fitzsimons, PhD

Leader Affect Variability and Employee Engagement
Jiaqing Sun, PhD, Sandy J. Wayne, PhD, and Yan Liu, PhD

INSIDER: I Love it Here: How Great Leaders Create Organizations Their People Never Want to Leave
Parker Cannon, MBA Candidate

INSIDER: Mind Management, Not Time Management
Carson Solley, MBA Candidate
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Year after year, companies allocate extensive resources toward developing and tracking incentive programs to effectively motivate sales employees. Though motivation has been studied for decades, it remains a key concern for many organizations today. Salespeople typically have a significant amount of discretion as to time management. They make daily decisions about who to call, how to communicate, and what strategies to implement. The role of a salesperson, many times, offers great autonomy. With that, salespeople must often adjust to changing circumstances, be it an external change for the customer such as a change in funds, or an internal company change such as a change in supply. The process of altering individual sales strategy due to such dynamic changes in the marketplace has been coined “self-regulation.”

Self Determination Theory (SDT), which has been widely used in sales research, addresses the process of self-regulation and lays out the foundation for our study. SDT differentiates between the drivers of salesperson motivation. Autonomous motivation is when a person’s actions are driven intrinsically, while controlled motivation is driven by extrinsic sources, such as rewards or incentives. Despite the practical relevance of the two types of motivation (intrinsic and extrinsic), previous research lacks clarity with respect to the relative impact of intrinsic and extrinsic motivation on salesperson performance. Another consideration is how motivating factors may be impacted by different moderators, such as the salesperson’s age or career stage. Our aim was to address these questions through a comprehensive meta-analytic review of previous studies conducted in this domain to provide insight into the managerial implications of our findings.

The findings of our analysis indicate that motivation is significantly associated with salesperson performance and that intrinsic motivation is more significantly associated with performance than extrinsic motivation. While external motivators, such as increased compensation, bonuses, and time off, are associated with performance, the correlation between intrinsic motivators and performance is even stronger. This is a crucial finding since managers most frequently turn to extrinsic rewards when trying to motivate salespeople, and such motivation can be extremely costly to companies while carrying other downsides. At some point, once a salesperson has a
stable income stream—no matter how configured—the salesperson can become less susceptible to increases (particularly modest increases, which is usually the case) in extrinsic rewards. Stimulating intrinsic motivation, on the other hand, may be not only less expensive but also more effective. With the findings from our research, real estate agents and managers can evaluate current incentive programs and tailor future incentive programs to effectively motivate salespeople.

**Background**

When intrinsically motivated, a real estate salesperson will be moved to show houses, call clients, and perform tasks for the fun, challenge, or meaningfulness entailed rather than because of external prods, pressures (like quotas), or rewards. SDT suggests intrinsic motivation results when people feel that they have control over the activities they perform (autonomy), feel competent performing them (self-efficacy), and feel a sense of belonging or relatedness as they perform them (connection). Extrinsic motivation, on the other hand, is defined as doing something because it leads to a separable outcome. This type of motivation has been called “controlled motivation” because workers are expected to act according to what is rewarded by their employers. When motivation is controlled, the focus on financial incentives or praise can produce short-term gains on targeted outcomes but may have negative spillover effects on subsequent effort and performance.

We predicted that when working conditions and compensation are deemed 'good enough' by salespeople, other needs become more salient and thus stronger motivators. Indeed, most salespeople feel entitled to fair wages and decent working conditions, and thus these factors are only really noticed if they are missing or fall beyond an expected distribution (on either side—far greater or far less than expectations). On the other hand, focusing on meeting the internal needs of your sales force (once sufficient external motivators are in place) should lead to better performance.

**Findings**

Using information from 77,560 total salespeople from 127 studies, our findings show that intrinsic motivation is more strongly associated with salesperson performance, even when analyzing the data in multiple ways with all control variables. However, when scrutinizing the data with a ‘magnifying glass’ on certain relationships, we find that while the relationship between intrinsic motivation and performance was higher than extrinsic motivation and performance for all age groups (and those with longer job tenure and experience in sales), the relationship was significantly stronger for older samples than younger samples. On the other hand, the relationship between extrinsic motivation and performance was significantly stronger for younger samples than older samples. With regard to industry, salespeople who worked in a role where sales were made directly to consumers showed a stronger relationship between extrinsic motivation and performance than was seen in business-to-business (B2B) sales. For
B2B sales roles, the relationship between intrinsic motivation and performance was significantly higher than both extrinsic motivation and performance as well as intrinsic motivation and performance in the business-to-consumer context. The strength of the relationship between motivation and performance did not significantly differ between men and women; however, in samples that were more skewed toward having a population with a greater number of females than males, the relationship between intrinsic motivation and performance was higher than that of extrinsic motivation and performance.

**Real Estate Implications**

When thinking of ways to incentivize employees, external motivators, such as monetary incentives, are typically what come to mind. While there is a positive association between extrinsic motivators and performance, this research provides evidence that intrinsic motivators are even more important to long-term salesperson performance. We are not advocating for the dismissal of extrinsic motivators; rather, we suggest that relying entirely on extrinsic motivators to motivate employees may lead to suboptimal performance, given the stronger association between intrinsic motivation and salesperson performance.

Although extrinsic motivators are often managers’ first solution for motivating salespeople, intrinsic motivation can also be influenced by managers. Some of the contributors to intrinsic motivation based on Self Determination Theory include autonomy, competence, and relatedness. Real estate brokers can influence agents’ intrinsic motivation by providing training to improve employee competence and confidence. Management can also increase autonomy within teams and roles, as long as agents and employees are meeting goals, in order to intrinsically motivate and drive performance of the team. Overall, the findings from our research indicate that intrinsic motivation is critical to reaching optimal performance from employees.

**Recommended Reading**

References


About the Authors

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Dr. Valerie Good (PhD – Michigan State University) is a well-published researcher with an active pipeline. Her dissertation was distinguished as the top in the field of sales, earning her the American Marketing Association Sales SIG Dissertation Award in 2020. She also received the 2023 Distinguished Early Career Scholar Award from Grand Valley State University and the 2019 Taylor Research Award from Michigan State University in recognition of research excellence. Her research has been published in *Harvard Business Review*, *Journal of the Academy of Marketing Science*, *International Journal of Research in Marketing*, *Journal of Service Research*, *Journal of Business Research*, *Industrial Marketing Management*, *Journal of Business Ethics*, *Journal of Service Research*, *European Journal of Marketing*, *Journal of Personal Selling & Sales Management*, and *Marketing Letters*, with several additional papers currently under advanced review in top-tier marketing journals. She is dedicated to research with practical impact, and media mentions of her research include *Harvard Business Review*, *Forbes*, *Thrive Global*, *Selling with Noble Purpose*, *The Conversation*, *EconoTimes*, the *National Interest*, *Broad College of Business News*, the *Sales Scholar* podcast, as well as additional newspaper and radio outlets.

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Dr. Douglas E. Hughes (PhD – University of Houston) has a rich academic and professional background in marketing and sales. His well-cited research focuses on how firms may maximize performance through sales organization effectiveness and through the accompanying management of internal and external relationships. Dr. Hughes served as Editor-in-Chief of *Journal of Personal Selling & Sales Management* and Area Editor at *Journal of the Academy of Marketing Science* and has published articles in the *Journal of Marketing*, *Journal of Marketing Research*, *Journal of the Academy of Marketing Science*, *Journal of Retailing*, *International Journal of Research in Marketing*, *Marketing Letters*, *Industrial Marketing Management*, *Journal of Personal Selling & Sales Management*, and *Journal of Service*
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Sean McGrath is a marketing doctoral student at the Eli Broad College of Business at Michigan State University. His research interests are centered on marketing strategy, with specific emphasis on personal selling and sales management. Mr. McGrath brings significant sales and marketing management experience in the consumer goods industry to the program, having worked in both executive and consulting roles. Prior to joining the doctoral program, Mr. McGrath was a full-time Adjunct Professor at Pepperdine University Graziadio Business School, teaching both economics and marketing courses at both the graduate and undergraduate levels.