The Performance of Performance Incentives: What’s the Downside?
By George Dudley and Trelitha Bryant

Real estate agents must undertake a variety of tasks to establish, sustain and develop a clientele base. Acknowledging the complexity of their job, most agents recognize the need to construct goals to help order their daily activities. Yet, naming goals is not synonymous with pursuing goals. Effective agents also recognize that persistent sales-originating activity, or sales prospecting, is essential to their success. However, many agents have difficulty sustaining adequate sales contact-initiating activities on a consistent basis. A series of research studies across companies, industries and nations have established that 90% of all talented, motivated and otherwise capable salespeople experience one or more forms of sales call reluctance®1 (Goodson, Dudley and Bryant 2009), a career-threatening condition that emotionally limits the number of contacts that can be comfortably initiated with prospective clients. The result is predictable. Limited prospecting results in significantly limited revenue generation from new sales. Sometimes, the development of new business is thwarted. Sometimes, existing clients are left to competitors by prospecting default. Sometimes, it’s both.

Our study investigated whether or not agents prefer reward incentives as a form of motivation to support goal-directed sales behaviors, and how their goal-pursuit strategy relates to sales prospecting activity. The concept of motivation, like intelligence and consciousness, can only be studied indirectly (Horn and Sweney 1970). Motivation, though, influences the study of many other subordinate considerations such as reward programs and incentives.

The study found most agents prefer frequent rather than long-term rewards. However, if agents hesitate, are conflicted about or refuse to prospect (i.e., they are call reluctant), then their ability to accomplish the goals they set is likely to be reduced regardless of talent, training, sales knowledge, or the presence of incentives.

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1 Call Reluctance is a federally registered trademark of Behavioral Sciences Research Press.
Business Goals

Unlike salespeople who work as employees for a particular organization, real estate agents are typically in business for themselves, despite working for a large firm or a small brokerage. Consequently, it is important for agents to construct their own career plan, which includes both definitive and actionable accomplishment milestones stated as goals. In formal goal-setting literature, goals are generally defined as targets or end results an individual aspires to achieve (Van Yperen 2003). Riediger and Freund (2006) expand that definition somewhat by adding that goals are end results individuals want to attain, maintain or avoid in the future.

Psychological research on goals has found that goal-related intentions can significantly facilitate goal-pursuit behaviors (Gallo, Keil, McCulloch, Rockstroh and Gollwitzer 2009; Webb and Sheeran 2006), especially if the goals are challenging and specific rather than vague or ambiguous—which is referred to as the goal specificity effect (Gollwitzer 1999). Goal intentions refer to a set of self-instructions to perform certain behaviors or obtain specific outcomes (Webb and Sheeran 2006).

Goal-Pursuit

Once goal intentions are set, there are two main challenges agents face: 1) getting started and 2) staying on track. According to previous studies, a successful strategy for initiating goal-directed behavior is to first reclassify longer-term goals into discrete sub-goals (Fishbach, Dhar and Zhang 2006)—called the goal-proximity effect (Gollwitzer 1999).

Explicit sub-goals can be instrumental in helping individuals manage their time and direct their energy, especially when it comes to getting started. Individuals who initiate pursuit of specific sub-goals, while simultaneously maintaining their commitment to longer-term goals, improve self-regulatory skills associated with goal focus and goal persistence (Fishbach, Dhar and Zhang 2006).

Pursuing Sub-Goals

A strategy for pursuing sub-goals is particularly applicable to the sales process, which though boasting countless conceptual definitions, consists of four distinct functional dimensions that can easily be translated into sub-goals. Extrapolating from the functional model of selling (Dudley and Goodson 1986), sales contact-initiation is the first step. Agents must first initiate contact with potential clients on some consistent, regular basis. According to Weitz, Castleberry and Tanner (2004, pg. 170):

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2 Where conceptual models tend to be theoretical and help further understanding, functional definitions are based on what processes or behaviors are actually done.
“Prospecting, the important process of locating potential customers for a product or service, is critical whether you are a new or seasoned sales professional. In fact, many experts note that prospecting is the most important activity a salesperson does.”

Prospecting is an indisputable core competency for sales success. Therefore, it is recommended that agents thoughtfully establish specific sales contact goals, preferably in tandem with sales management, or if management is inaccessible, with respected colleagues or exemplars. Prospecting goals may be expressed as number of contacts required per time interval to support the establishment and expansion of a client network. Pursuing prospecting goals may involve pursuing contacts and leads generated from a variety of sources, such as social networking, sales marketing, group presentations and other social, civic and business-related opportunities. Meeting prospecting objectives provides the opportunity to succeed on subsequent sales-related goals.

Once contact is established, the second functional phase begins: introduction. Here, agents use what they have been taught to introduce themselves, their companies and their services. The third functional phase is informational. After contacting and introducing themselves, agents engage in informed conversation concerning customer wants, needs and resources. The fourth and last phase, involves advocacy as outlined by Dudley and Tanner (2005). Here the agent provides one or more solutions that encourage prospective clients to utilize your services rather than someone else’s. Advocacy is what distinguishes a professional selling event from an amorphous social visit.

These four, distinct functional dimensions can be translated into sales presentation goals, secured listing goals and finalized sales goals. Collectively, each of the sub-goals can be used to assist agents in monitoring their own progress toward longer-term goal objectives that are important to them (e.g., building a college fund, supplementing retirement income and/or other personally meaningful objectives that require financial resources).

While each functional phase of the sales process is important, there has been relatively less training emphasis placed on emotional readiness for sales prospecting (which may in part reflect the incidence of discomfort associated with prospecting described earlier). Agents may be well-trained in areas such as understanding housing markets and buyer’s trends, negotiating contracts, explaining financing options, etc., but have a limited understanding of the emotional and physical effort required to sustain goal-supporting prospecting activity. Limited understanding of these requirements is then compounded by little or no attempt to establish and manage prospecting goals.

**Long-Term Goal-Pursuit**

While individuals may value the importance of linking sub-goals to longer-term goal objectives (e.g., annual sales goals and/or career goals), some research indicates that many people are limited in their ability to sustain goal-supportive behaviors over time, without close oversight.
and control by others (Sansone and Thoman 2005). Further studies have shown that reward incentives can effectively enhance self-determination and job competence (e.g., Cameron, Pierce, Banko and Gear 2005; Eisenberger, Rhoades and Cameron 1999). These empirical findings are in agreement with the widely established management practice of utilizing reward incentives to enhance work motivation and increase job productivity. According to a frequently cited management article by Kerr (1975/1995, pg. 7), the administration of reward incentives is a management requirement because, "most organisms seek information concerning what activities are rewarded, and then seek to do (or at least pretend to do) those things, often to the virtual exclusion of activities not rewarded."

Another substantial body of research, however, shows that reward contingencies can actually diminish work-related interest associated with goal-pursuit activities (e.g., Deci, Koestner and Ryan 1999; Smith and Pittman 1978; Lepper and Greene 1973). Within these studies, researchers repeatedly observed the tendency of individuals to shift their attention from the task to be accomplished to the reward to be administered. In such cases, individuals become dependent upon rewards as the salient influence on future task performance, a condition called the overjustification effect (Greene, Sternberg and Lepper 1976; Bem 1972) and popularly called "jelly bean management" by others. Empirical support for the overjustification effect on decreased task activity has been replicated across numerous studies (e.g., Pritchard, Campbell and Campbell 1977; Dollinger and Thelen 1978; Morgan 1981; Deci, Nezlek and Sheinman 1981).

However, if individuals perceive the rewards as relatively unimportant, their productivity may not be influenced by the use of reward incentives. Consequently, the use of a reward system may not necessarily produce degraded task interest. Rather, it is the perception of rewards as a behavior-shaping influence that is more likely to contribute to degraded performance—especially if the incentives are not actually available or individuals perceive that rewards are not administered fairly.

**Reward Research and Real Estate Agents**

Two studies based on a sample of 3,439 residential and commercial real estate agents were conducted to evaluate their preferences for rewards. Agents were asked whether or not they preferred frequent rewards to help support their long-term goal-pursuit activities. Frequent rewards may include supplementary monetary rewards, prizes or other forms of public recognition, which are offered as incentives to facilitate or enhance job performance. Reward incentives do not include earned wages or commissions.

Each agent completed the Sales Preference Questionnaire (SPQ*GOLD®), a specialized limited purpose psychometric instrument designed to evaluate clientele-building orientation in salespeople and other professionals required to develop or expand a client base (Dudley and Goodson 1990). The SPQ examines twelve distinct forms of authentic sales call reluctance,
additional measures typically mistaken for sales call reluctance (call reluctance impostors) and a comprehensive measure of call reluctance derived from the twelve types (called the *Prospecting Brake scale*). The instrument also includes means to detect random responding, rigidly over-cautious responding, over-claiming and other forms of non-compliant responding. An extensive body of research has shown a systematic link between lower levels of sales contact reluctance as measured by SPQ*GOLD and higher sales production (Dudley and Goodson 2007).

The first study consisted of 3,131 agents. Approximately 70% of that sample indicated a preference for frequent rewards to help support their goal-pursuit activities (a *reward-based strategy*). The remaining agents indicated a preference for remaining focused instead on long-term goals without distractions (a *goal-focused strategy*). A statistical analysis was completed to examine the level of sales call reluctance present in both groups and if present, whether the degree of call reluctance differed according to sales experience.

Results indicate that agents preferring a strategy focused on their goals rather than intermediate rewards have significantly less emotional hesitation initiating contact with prospective buyers. This relationship was stable across levels of sales experience ranging from new sales agents with less than one year of experience to established sellers with five or more years of experience.

The results further suggest that agents who prefer a strategy supported with intermediate rewards and incentives tend to have higher levels of call reluctance across each of the twelve types, with the exception of one, "Hyper-Professional" Call Reluctance (i.e., over-concern with professional image). Curiously, agents who prefer intermediate rewards also tend to have higher levels of "Telephobia" Call Reluctance (discomfort using the telephone as a prospecting tool), and higher levels of "Yielder" Call Reluctance (discomfort associated with the fear of being perceived as too pushy, forward or intrusive).

In the second study, a similar statistical analysis was performed with another sample of 308 real estate agents who also reported their sales prospecting activity during the prior work week. The results replicate the findings from the first study: Agents who prefer intermediate rewards and incentives tend to do significantly less sales prospecting.
Conclusion

In the real estate industry, agents must often function as independent business owners. As in any business, this means they are required to construct business goals and objectives to help direct their daily activities while simultaneously maintaining their focus and pursuit of long-term objectives. Consequently, real estate producers may find it helpful to self-manage by condensing and recasting their longer term aspirations into smaller, discrete behavioral sub-goals derived from a functional model of actual behaviors required to sell (functional approach) rather than utilizing the conceptual phases more common to theoretical models of the sales process. For example, a functional approach to the sales process begins with making first contact with prospective buyers, a self-evident core competency for sales success but one that often gets de-emphasized or neglected altogether. Occurring first in the sequence of sales functions, prospecting serves as the gateway to other sales activities and numerous studies have shown that success in sales requires dedicated prospecting. Sales, of course, does not end with prospecting.

Once contact is made, other functions like discovering needs, making skillful presentations, and managing the close, become equally, if not more important. Navigating this process each day requires considerable goal clarity and even more resolve.

Although agents seem able to acknowledge the importance of certain goal-progressing behaviors, including prospecting, there is research that suggests most individuals are not capable of sustaining a long-term goal commitment without some helpful external reinforcement along the way. This view has been widely, and sometimes uncritically, accepted across sales organizations. Our study examines whether or not real estate agents prefer to receive reward incentives and how their preferences might relate to their sales prospecting activities.

We found approximately 70% of agents we sampled prefer frequent rewards to support their pursuit of long-term objectives. But, like drug side effects, we also found that a frequent reward schedule has a significant association with elevated levels of sales call reluctance. Further analyses found these results held constant across levels of sales experience, ranging from newly trained salespeople to established producers with more advanced sales knowledge, training and experience.

This study suggests that reliance upon frequent rewards may be helpful in some respects but does not attenuate the hesitation to prospect, a condition that limits the sales success of new and established salespeople in real estate sales and many other customer-seeking sales settings. Further, these findings are consistent with previous studies which conclude that dependence on external reinforcement is associated with increased emotional anxiety (Lefcourt 2000) and that individuals are more likely to cease goal-pursuit activities if the activities are associated with negative emotions (Aarts, Custers and Holland 2007).

By comparison, we found that agents who adopt a strategy focused on their goals rather than on frequent intermediate rewards to buttress their resolve, are more likely to actively seek out
opportunities to prospect for new prospective buyers. Our results also suggest that higher producing agents may not want, need or necessarily benefit from performance incentives. All the incentive they seem to need appears to be internal, governed by their own self-regulatory mechanisms.

References


About The Authors

George W. Dudley
Board Chair, Behavioral Sciences Research Press
Noted behavioral scientist and author, George W. Dudley, has degrees in research psychology from Baylor University (1969) and the University of North Texas (1974). He began working with assessments while serving in the U.S. Marine Corps, and for many years directed the Field Testing & Research department of a Fortune 500 financial services company. His groundbreaking studies of Sales Call Reluctance, Recruiting Reluctance and Close Reluctance begun in the mid 1970's, have been featured in popular and professional media including CNN, The Financial Times of London, The Australian, Straits Times (Singapore), Congress for European Psychotherapy and the Society for Industrial and Organizational Psychology. He is the principal author of widely used sales and management assessment applications used today including the Sales Preference Questionnaire (SPQ), Recruiting Preferences Measure (RPM) and the Selling Styles Profile Analysis. The Psychology of Sales Call Reluctance -- an international best seller for over 15 years— is considered the definitive text on the subject. His newest book, The Hard Truth About Soft Selling: Restoring Authentic Pride and Purpose to the Sales Profession, written with Baylor University Professor Jeff Tanner advocates radical honesty in selling, and is sure to be a controversial bestseller.

A gifted teacher, Dudley has been a featured platform speaker at many industry and professional conventions including the Million Dollar Roundtable and the Singapore Association of Life Underwriters. Several of his scientific studies have sparked worldwide discussion, including: "Where In The World Can You Find The Most Honest Salesperson?", "What Really Motivates
Salespeople: A Multi-Nation Comparison," and "Lying on Psychological Tests: How Mode of Administration Influences Sales Test Scores in Different Countries." His biography is listed in several honorary publications including *Who's Who in Science and Engineering*, and *Who's Who In America*. He is married and lives in the Dallas area with his wife Carol, also a successful scientist, having co-authored scientific articles in physiology and genetics.

**Trelitha R. Bryant**  
**VP Field Testing and Research, Behavioral Sciences Research Press International**

Trelitha R. Bryant is VP, and Senior Research Associate, at the corporate office of Behavioral Sciences Research Press in Dallas, Texas (BSRP). For twelve years, she has served as a research analyst at BSRP, completing hundreds of research projects, constructing statistical models to study the relationship of sales call reluctance and effective clientele building. Bryant supervises the world's largest database on sales call reluctance. She has also presented research on socially desirable responding, which explores the issues, challenges and peculiarities specific to using psychological tests in the sales profession. Bryant's work has been presented at the Southwestern Psychological Association and the Society for Industrial and Organizational Psychology (SIOP). A talented and engaging speaker, she has taught and presented her research to groups of sales management executives, consultants and psychologists in the US and the Europe.

Mrs. Bryant has a Bachelor of Science degree in Mathematics from Creighton University, in Nebraska and has completed graduate coursework at Southern Methodist University. Bryant holds memberships in the Association for Psychological Science, Southwestern Psychological Association and The Society for Applied Multivariate Research. She currently teaches issues associated with modern sales selection and assessment in BSRP's Advanced Management Training Workshops.