



# Influence of Incentives and Rewards on Sales Performance

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**Abstract** – This research paper studies how incentives and rewards affect the sales performance of employees in organizations. Instead of collecting new survey data, this paper uses already published studies, academic journals, industry reports, and company publications from 2010 to 2024 to understand this relationship. The paper uses well-known theories like Maslow's Hierarchy of Needs, Vroom's Expectancy Theory, and Reinforcement Theory to explain why incentives and rewards make employees work harder and perform better. The research finds that when organizations offer the right mix of financial incentives like bonuses and commissions, and non-financial rewards like recognition and career growth, their sales teams perform significantly better. Evidence from published studies also shows that personalized reward systems are more effective than one-size-fits-all approaches. The paper concludes that a well-designed incentive and reward structure is one of the most powerful tools available to sales managers and HR professionals to improve team performance and reduce turnover.

**Keywords** – Incentives, Rewards, Sales Performance, Employee Motivation, Human Resource Management, Organizational Behavior, Compensation, Recognition.

## I. INTRODUCTION

Sales teams are one of the most important parts of any organization because they directly bring in revenue. But managing a sales team is not easy. Sales professionals face a lot of pressure to meet targets, handle customer rejection, and stay motivated every single day. Because of this, organizations are always looking for ways to keep their sales employees motivated and focused on their work. One of the most widely used methods to motivate sales employees is through incentives and rewards.

An incentive is something that is offered before a task to encourage the person to work harder — for example, telling an employee that they will get a bonus if they achieve their monthly sales target. A reward, on the other hand, is something given after good performance — for example, giving an 'Employee of the Month' award to a top-performing salesperson.

When used properly, incentives and rewards can make sales employees feel valued and appreciated. This increases their job satisfaction, reduces the chances of them leaving the organization, and most importantly, improves their sales performance.

Because of this, organizations across many industries — from banking and insurance to retail and technology — invest heavily in designing incentive and reward programs for their sales teams. This research paper studies 20 already published studies and reports from 2010 to 2024 to understand how incentives and rewards influence sales performance.

It does not collect new data but instead analyzes existing knowledge to draw clear and useful conclusions for HR professionals and sales managers.

### Objectives of the Study

1. To study the different types of incentives and rewards used in organizations to improve sales performance.
2. To examine the relationship between incentive and reward programs and sales performance outcomes among employees.
3. To identify which types of incentives and rewards are most effective for different categories of sales employees.
4. To provide practical recommendations for HR professionals and sales managers based on research evidence.

### Research Hypotheses

- $H_0$  (Null Hypothesis): There is no significant relationship between incentives and rewards and employee sales performance.
- $H_1$  (Alternate Hypothesis): There is a significant positive relationship between incentives and rewards and employee sales performance.

## II. THEORETICAL FRAMEWORK

Three well-known theories form the foundation of this paper. These theories together explain why incentives and rewards work, what motivates employees to perform better, and how organizations can design effective reward systems.

### Maslow's Hierarchy of Needs (1943)

Abraham Maslow's theory says that human beings have five levels of needs arranged in a pyramid — physiological needs, safety needs, social needs, esteem needs, and self-actualization needs. People are motivated to



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fulfill lower-level needs first before moving to higher-level ones. In the context of sales incentives, financial rewards like salary and bonuses fulfill the lower-level physiological and safety needs, while recognition programs, awards, and career growth opportunities fulfill the higher-level esteem and self-actualization needs. This is why a good incentive program needs to address both financial and non-financial rewards to be truly effective.

#### **Vroom's Expectancy Theory (1964)**

Victor Vroom's Expectancy Theory explains that employees are motivated to perform well when they believe three things: first, that their effort will lead to good performance (Expectancy); second, that good performance will be rewarded (Instrumentality); and third, that the reward is something they genuinely value (Valence). In a sales context, this means that incentive programs only work when employees believe the targets are achievable, when they trust that the organization will actually give them the promised reward, and when the reward is something meaningful to them — like a cash bonus, a promotion, or a public recognition.

#### **Reinforcement Theory (Skinner, 1953)**

B.F. Skinner's Reinforcement Theory says that behavior is shaped by its consequences. If a behavior leads to a positive outcome — like a reward or recognition — the person will repeat that behavior. If a behavior leads to no reward or a negative outcome, the person will stop doing it. In sales management, this theory explains why giving regular bonuses, incentives, and recognition after good performance encourages salespeople to keep performing at a high level. Organizations that consistently reward good sales behavior create a culture of high performance over time.

### **III. REVIEW OF LITERATURE**

This section presents a structured review of twenty secondary sources published between 2010 and 2024. The studies are grouped thematically based on the key types of incentives and rewards studied in the literature.

#### **Financial Incentives and Sales Performance**

Incentives and Rewards on Employee Performance by Ndungu (2017), published in the International Journal of Business Administration and Management Research, found that financial incentives like salary increases, commissions, and performance bonuses had a strong and direct positive effect on employee performance. Employees who received regular financial rewards showed significantly higher output and motivation compared to those who did not.

Stajkovic and Luthans (2003), writing in the Journal of Organizational Behavior Management, confirmed that monetary incentives increased employee performance by an average of 16% in sales-oriented roles. Their study also found that the effect of financial incentives was stronger when the link between performance and reward was made very clear to the employee in advance.

#### **Non-Financial Rewards and Motivation**

Appelbaum and Kamal (2020), writing in the Journal of Management Development, found that non-financial rewards such as recognition, flexible work hours, career development opportunities, and verbal appreciation were just as important as financial rewards — and sometimes more effective — in sustaining long-term motivation. Employees who felt genuinely recognized by their managers reported higher job satisfaction and lower intention to quit.

Kumar and Tiwari (2022), in their study of sales professionals in Indian organizations published in the Asia Pacific Journal of Human Resources, found that peer recognition programs and public appreciation during team meetings increased individual sales performance by up to 19% over a six-month period. They noted that being seen and appreciated in front of colleagues had a powerful motivating effect.

#### **Commission-Based Incentives**

Coughlan and Narasimhan (2018), in their review published in the Journal of Marketing Research, studied commission-based pay structures in detail. They found that straight commission plans — where employees earn a percentage of every sale — produce the highest short-term sales output but also lead to higher burnout and turnover. Blended plans that combine a base salary with a commission component were found to produce more stable, long-term performance improvements.

Chung, Steenburgh, and Sudhir (2014) analyzed sales force compensation data from a Fortune 500 company and found that adding bonus thresholds — where salespeople earn a larger bonus if they exceed a certain target — significantly increased effort and performance in the second half of the sales period when employees were close to the threshold. This 'quota-bonus' structure was especially effective for mid-level performers.

#### **Recognition Programs and Affective Commitment**

Pandey and Sharma (2021), studying antecedents of organizational commitment in Indian sales firms, found that employee recognition — formal awards, managerial appreciation, and peer acknowledgement — was the strongest predictor of affective commitment ( $r = 0.71$ ,  $p < 0.01$ ). Salespeople who felt consistently recognized were 2.3 times more likely to stay with the organization and maintain high performance levels.

WorldatWork (2019), in their comprehensive survey of reward and recognition practices across 5,000 organizations, found that companies with formal recognition programs had 31% lower voluntary turnover and 12% higher customer satisfaction scores. Programs that combined both monetary and non-monetary recognition showed the strongest impact on performance outcomes.



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### Incentive Design and Fairness

Greenberg (2018), in his widely cited review of organizational justice and compensation, argued that employees do not just care about how much they are rewarded — they also care deeply about whether the reward process is fair. If salespeople feel that incentives are given unfairly — for example, if top performers are passed over while others are rewarded for political reasons — motivation drops sharply and performance suffers. Perceived fairness in reward distribution is a critical factor in making incentive programs work.

Sharma and Singh (2021), in their study of Indian FMCG sales teams, found that transparent incentive structures — where the criteria for earning rewards were clearly communicated in writing — led to 22% higher target achievement rates compared to teams with unclear or informal incentive systems. Clarity and fairness in incentive design were found to be as important as the value of the reward itself.

### Sales Contests and Team-Based Incentives

Lim, Ahearne, and Ham (2009), writing in the Journal of Marketing Research, studied the impact of sales contests on individual and team performance. They found that sales contests — time-limited competitions with prizes for top performers — produced strong short-term performance increases, especially when the prizes were desirable and the winning criteria were clearly communicated. However, they also found that contests could create unhealthy competition and reduce cooperation among team members if not designed carefully.

Pierce, Gardner, and Dunham (2018) studied team-based incentive programs in detail and found that shared incentives — where the entire team earns a reward if the group meets its collective target — were more effective in organizations with a strong team culture. These programs encouraged cooperation, knowledge sharing, and peer motivation, which eventually led to better overall sales results.

### Personalization of Rewards

Aguinis, Joo, and Gottfredson (2020), in their review article published in Business Horizons, argued that one of the biggest mistakes organizations make is offering the same rewards to everyone. Different employees value different things — younger employees may prefer career development opportunities, while experienced employees may prefer flexible work or additional leave. Personalized reward programs that allow employees to choose their preferred type of reward showed 28% higher engagement compared to standard reward programs.

Mishra and Verma (2023), in their study of sales professionals in IT companies, confirmed that employees who felt their reward preferences were understood and respected by the organization showed significantly higher normative commitment and were more likely to exceed their sales targets consistently.

### Industry-Level Evidence

NASSCOM (2023) in their India IT Industry Report noted that organizations with comprehensive incentive and reward frameworks — combining financial bonuses, recognition programs, career development, and flexible work — reported 18 to 22 percent lower attrition compared to the industry average. Better-designed incentive programs directly reduced the cost of replacing salespeople.

Deloitte's Global Human Capital Trends Report (2023) found that 85% of high-performing organizations had a formal, structured rewards strategy aligned with business goals. Companies that reviewed and updated their incentive programs every year showed consistently better sales team performance than those with outdated or static reward systems.

## IV. ANALYSIS AND DISCUSSION

### Mapping Incentive Types to Sales Performance Outcomes

The secondary evidence reviewed in this paper consistently supports a positive relationship between well-designed incentive and reward programs and sales performance. The table below maps key types of incentives and rewards to their primary performance outcomes and supporting literature:

Table 1: Incentive Types Mapped to Sales Performance Outcomes

of Incentive Reward	Performance Outcome	Supporting Evidence
Financial Bonuses & Commission	Higher short-term sales & output; increased effort near targets	Stajkovic & Luthans (2003); Chung et al. (2014)
Recognition Programs (Awards)	Stronger affective commitment; reduced turnover	Pandey & Sharma (2021); WorldatWork (2019)
Career Development Opportunities	Higher normative commitment; long-term performance	Mishra & Verma (2023); Aguinis et al. (2020)
Sales Contests	Short-term performance spike; increased individual effort	Lim, Ahearne & Ham (2009)
Team-Based Incentives	Improved team cooperation; collective performance gains	Pierce, Gardner & Dunham (2018)
Type of Incentive Reward	Performance Outcome	Supporting Evidence
Personalized Reward Programs	28% higher engagement; improved target achievement	Aguinis et al. (2020); NASSCOM (2023)
Transparent Incentive Structures	22% higher target achievement; perceived fairness	Sharma & Singh (2021); Greenberg (2018)



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Non-Financial Rewards (Flexibility, Praise)	Sustained long-term motivation; lower burnout	Appelbaum & Kamal (2020); Kumar & Tiwari (2022)
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(Source: Researcher's Synthesis)

**Financial vs. Non-Financial Incentives**

The review of literature makes it clear that financial incentives are powerful motivators in the short term, but non-financial rewards are what sustain motivation over time. This finding is strongly aligned with Maslow's Hierarchy of Needs — once employees' basic financial needs are met, they begin to seek recognition, growth, and a sense of purpose. Organizations that rely only on monetary rewards often find that their salespeople become satisfied with the financial reward itself and stop pushing for higher performance. This is why high-performing organizations like those studied by Deloitte (2023) and WorldatWork (2019) consistently use a blended approach — one that combines competitive financial incentives with meaningful recognition, career growth opportunities, and a positive team culture.

**Fairness as a Critical Factor**

One of the most important findings across the reviewed literature is that the perceived fairness of an incentive system matters as much as the value of the incentive itself. Greenberg (2018) and Sharma and Singh (2021) both found that employees who believed their incentive system was unfair — even if the rewards were financially generous — showed lower motivation, higher frustration, and higher intention to leave. This suggests that HR professionals must pay careful attention not just to what rewards they offer, but also to how the criteria for earning those rewards are communicated and applied.

**The Role of Personalization**

Aguinis, Joo, and Gottfredson (2020) make a compelling argument that the future of reward management lies in personalization. As the sales workforce becomes more diverse — with employees from different age groups, backgrounds, and career stages — a uniform reward system will become less and less effective. Organizations that invest in understanding their employees' individual preferences and design flexible reward menus accordingly will see stronger engagement and performance gains than those offering the same rewards to everyone.

**V. KEY FINDINGS**

Based on the synthesis of twenty secondary sources, the following key findings are presented: 5. Financial incentives like bonuses and commissions are the most effective short-term motivators for sales employees. Stajkovic and Luthans (2003) found an average 16% performance increase linked to monetary incentives.

6. Non-financial rewards such as recognition, career growth, and flexible work arrangements are critical for

sustaining long-term motivation and reducing sales force turnover.

7. Blended incentive structures — combining base salary with performance-linked commissions and recognition programs — produce the most stable and consistent sales performance improvements.

8. Fairness and transparency in incentive design are essential. Organizations with clearly communicated incentive criteria showed 22% higher target achievement rates (Sharma & Singh, 2021).

9. Personalized reward programs show 28% higher engagement compared to standard programs (Aguinis et al., 2020). Sales employees are more motivated when they can choose rewards that match their personal preferences.

10. Sales contests and team-based incentives are effective situational tools. Contests boost short-term individual effort while team incentives improve collective performance and cooperation.

11. Recognition programs have a powerful impact on affective commitment ( $r = 0.71$ , Pandey & Sharma, 2021). Salespeople who feel recognized are 2.3 times more likely to stay with the organization.

12. The null hypothesis ( $H_0$ ) is rejected. Secondary evidence consistently supports a significant positive relationship between incentives and rewards and sales performance outcomes.

**VI. RECOMMENDATIONS**

Based on the findings of this study, the following evidence-based recommendations are offered for HR professionals and sales managers:

**Use a Blended Incentive Structure**

Organizations should avoid relying on either pure commission plans or fixed salary structures alone. A blended plan that combines a stable base salary with performance-linked commissions and quarterly bonuses offers the best balance of motivation and security. Coughlan and Narasimhan (2018) confirm that blended plans produce more stable long-term performance improvements.

**Invest in Recognition Programs**

Formal recognition programs — like 'Salesperson of the Month' awards, public appreciation in team meetings, and written appreciation from senior leaders — are low-cost but high-impact tools. Organizations should make recognition a regular and consistent practice, not just a once-a-year event.

**Personalize Reward Menus**

HR professionals should conduct regular surveys to understand what types of rewards their sales employees actually value. A flexible reward menu — where employees can choose from options like cash bonuses, extra leave, gadgets, or vouchers — will be more effective than a one-size-fits-all approach.



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### Make Incentive Criteria Transparent

All incentive programs should be communicated clearly and in writing. Employees should know exactly what targets they need to meet, how performance will be measured, and when and how rewards will be given. Lack of transparency is one of the biggest reasons incentive programs fail.

### Use Sales Contests Strategically

Sales contests should be used at specific points in the sales cycle — like at the end of a quarter when teams need a final push — rather than continuously. To avoid unhealthy competition, contests should also have categories that recognize improvement, not just top absolute performance.

### Link Incentives to Career Development

Top-performing salespeople should be offered career growth opportunities — like leadership training, mentoring roles, or project leadership — as part of their reward. This addresses the higher-level needs in Maslow's hierarchy and helps retain the most talented employees who may otherwise look for growth outside the organization.

## VII. CONCLUSION

This paper has synthesized secondary evidence from twenty key studies, industry reports, and academic publications to develop a comprehensive understanding of how incentives and rewards influence sales performance. The evidence drawn from peer-reviewed journals, NASSCOM and Deloitte reports, and published academic research consistently points to one clear conclusion: well-designed incentive and reward systems are among the most powerful tools available to organizations for improving sales performance, increasing employee motivation, and reducing turnover.

The study confirms that effective incentive programs must go beyond simple financial rewards. They must be fair, transparent, personalized, and aligned with what employees genuinely value. Theories like Maslow's Hierarchy of Needs, Vroom's Expectancy Theory, and Reinforcement Theory all provide strong explanations for why incentives work — and what conditions must be met for them to reach their full potential.

The most important practical takeaway is that incentives work best when employees trust that hard work will genuinely be rewarded, that the reward is meaningful to them personally, and that the process is fair and consistent. Organizations that design their incentive programs with these principles in mind will build more motivated, loyal, and high-performing sales teams.

The null hypothesis ( $H_0$ ) is rejected. The alternate hypothesis ( $H_1$ ) is supported: there is a significant positive relationship between incentives and rewards and employee sales performance.

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