

**2.4: Motivation and demotivation: Activity E**

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**2.4 MOTIVATION: ACTIVITY E**

Read the case study below and answer the questions that follow.

**INCENTIVES FOR VALUE ADDED RESELLERS**

Value Added Resellers (VARS) are businesses which take a manufacturer's product and add their own value before selling it. For example, a VAR might take an operating system, add its own software for, say, architects, and then sell the bundle to architect firms. Manufacturers offer VARs a number of incentives to sell their products.

"The best incentive is money in the pocket" said one VAR. Most incentives schemes are based on basic salaries, monetary bonuses and commissions. Other means are used, but do they work? 'Freebies' such as day trips and air miles are commonly on offer. But in the day-to-day slog of running a business, motivation to take advantage of such benefits can be hard to muster. "We don't really bother with these schemes" said one VAR. "They create more administration than they're worth." Luxury rewards are still available as part of wider packages. For example, the top performing VAR for SolidWorks, was invited to Hawaii.

Opinions on whether rewards for individuals are effective will depend on to whom you speak. There will always be salespeople who thrive on beating the competition and who want to gain

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recognition for doing so. Emma Wong, marketing manager at Delcam, feels that a more inclusive approach is required. "Incentives targeted just at salespeople neglect the contribution of others, which can be demotivating. We tend to foster schemes that involve teamworking."

Incentive schemes that reward a group of high-performing VARs have to be carefully structured to create a level playing field to give companies of different sizes and locations a chance. Clearly this is not always being achieved. One disgruntled VAR said "I have never, ever been incentivised by any scheme I have worked with in the past. Overpaid VAR managers justify their own existence, even so far as coming up with jollies that they had no prior interest in, such as driving racing cars and sailing around the Leeward Isles."

Schemes based mainly on the volume of sales can have negative implications for all parties. "The aims of the incentives that we work to are not those that suit our long-term business goals, not the needs of our customers," said one VAR. "They are generally incentives to motivate short-term business."

The opportunity to gain marketing funds is another element of the incentive schemes, particularly where a business wants to make inroads into a particular market. IBM, for example, offers a special marketing fund to companies who join its Top Contributor Programme and commit themselves to selling \$100,000 of software to the SME (small and medium-sized business) market.

As free trips and luxury gifts are used less, such terms as 'active business management' have crept into the language of incentives. "We don't incentivize on volume" explains Courtney Yule, manager of Indirect Channels, Europe. "We incentivise VARs to invest in their business and improve the quality of service to our customers."

Many VARs are dubious about whether incentive schemes actually made them do anything differently. Not offering incentives doesn't go down well either. One VAR said "Our own main vendor doesn't offer any incentive schemes (or even buy drinks at the bar at sales events). So we will have to do our best focusing upon making money for ourselves."

### QUESTIONS: 25 MARKS, 45 MINUTES

1. Outline what is meant by:

- a. Monetary bonuses
- b. Incentivise on volume

[4 marks]

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2. Explain two non-financial rewards that could increase motivation at VAR. **[6 marks]**
3. Explain the advantages and disadvantages of **monetary bonuses**. **[5 marks]**
4. Evaluate which financial rewards are likely to be most motivating to VARs selling products such as computers for manufacturers to small businesses. **[10 marks]**