

# How to Incent Generation Y + Why It's Important

## Hey You...with the Smartphone!

As Generation Y occupies an increasing portion of today's workforce, it brings with it new values and characteristics that challenge the sales enterprise. Sales managers and other executives may struggle to relate to this new wave of workers – yet their companies' future success hinges on their ability to retain top talent and promote excellent performance in their organizations.

But companies can now execute on strategically designed sales compensation programs to convert these challenges into opportunities for competitive growth. Thanks to careful planning, implementation, and effective automation technologies, they can promote company loyalty and achieve their aggressive sales goals – while transforming their industry rankings in the marketplace.

### WHO IS GENERATION Y?

Gen Y-ers Skype in their sleep and are as concerned with putting a Facebook to a name as they are with work-life balance. Also known as "Millenials" or the "Trophy Generation," this group of 75 to 80 million calls the Baby Boomer generation "Mom and Dad."

Here are some of Gen Y's distinguishing characteristics:

- Self-confident and ambitious
- Digitally savvy and socially connected
- Needs frequent affirmation
- Likes immediate gratification
- Highly motivated for success



## By 2014, Gen Y'ers will comprise one-third of the workforce, and their unique motivations can profoundly impact your entire company.

Source: Sibson Consulting

Some complain that Gen Y's need for consistent feedback and immediate gratification are obstacles in the workplace, but companies can use compensation plans that leverage these unique motivations and propel – not hinder – their corporate revenue objectives.

### WHAT GEN Y CARES ABOUT

In a recent poll, Xactly asked a group of Millennials to identify what they liked about their current compensation plans. The study also asked how their dream jobs would compensate them. Here is what they said:

**Growth potential.** Experience trumps all else. We want to become entrepreneurs one day!

**Recognition.** Happiness equals additions to our LinkedIn resumes.

**Flexibility.** Autonomy is key. We'll gladly come in early, stay late, and work during lunch – just please give us the option to hit the gym midmorning.

**Ability to make an impact.** We want our work to matter. Money – yes, this is the last thing we listed.

Generation Y derives value from more than just cash – Gen Y-ers want to feel like they're contributing to the larger picture.

### REWARDING GEN Y

To be effective, sales compensation must account for the unique motivations of Generation Y. Here's a step-by-step guide to developing a comprehensive approach:

**Customize your pay methodology and metrics.** While Gen Y-ers do want fair pay, they're just as concerned with personal and professional betterment, so they typically gravitate to higher base salaries and rapid

rewards that enhance their life experience, not just their bank accounts. Your rewards program should take this into account. And steer clear of team compensation when possible, except for the occasional team accelerator or contest; while Generation Y collaborates very well with others, it prefers individual recognition.

**Clearly define job roles.** Compensation flows from job design, so it's critical to be as granular as possible when defining Gen Y's roles and responsibilities – from top priorities to time frames and requirements for advancement. Remember, Millennials perform best with frequent feedback and potential for growth, so be explicit in communicating your expectations, and make sure you paint the larger picture. Consider establishing a series of incremental opportunities for rapid advancement that recognizes and rewards professional development. (See "Xactly Customer Case Study" for a real-life example.)

### XACTLY CUSTOMER CASE STUDY

#### PROBLEM:

Recently, an account executive (AE) asked for a promotion after hitting quota for two quarters. While his manager was shocked, the AE sincerely believed his six months of stellar performance deserved some recognition. This Gen Y-er had talent his manager wanted to retain, so here's how the manager responded:

#### SOLUTION:

1. The AE worked on the small business team, so the manager split his job description into two subroles: SMB1 and SMB2.
2. He divided each subrole into multiple growth stages: Junior → Senior → Team Lead → Mentor.
3. For each subrole and growth stage, the manager clearly defined an expected timeline, as well as what benchmarks were necessary for advancement. He also established an ongoing training program to coach his team for success in their new roles.

#### RESULT:

The manager created a win-win solution for his team, his company, and for the AE. Not only was the AE thrilled at the prospect of so much growth potential, he also went on to become one of the company's top-performing sales representatives.

## **In fact, recent research from Sibson Consulting has shown that Generation Y performs as well or better than other generations when incentivized correctly, especially in sales positions. The critical factor is the right kind of sales comp automation technologies.**

**Provide real-time visibility.** Millennials want constant feedback on their performance levels, so visibility into their performance is key – preferably in real time. This is one of many areas where compensation automation tools shine. With dashboards that are continually updated, Gen Y-ers can track their progress at any point in time and know exactly what to do to exceed quota.

**Create a collaborative environment.** Generation Y takes a comprehensive approach to life, so your company will position itself for success when its sales compensation strategy emphasizes the whole package – from professional training to career advancement opportunities and a community-oriented culture.

**Money isn't the only driver for Gen Y-ers.** They want to acquire new skills and advance in their careers. They want

## **It can be difficult for different generations to understand Gen Y, but it's critical for compensation success!**

recognition as individuals but in a community that supports them as people and professionals. Some complain about Generation Y's need for autonomy and positive affirmation, but there's no arguing that Millennials are highly motivated and oriented for success.

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## **“Yes, I'm in sales to make money, but there's more to it than that. It's like FarmVille. I want to feel I'm part of building something bigger.”**

*Gen Y-er from a SaaS Company*

### **WHAT YOU CAN EXPECT WHEN YOU INCENT GEN Y**

At Xactly, our insight into businesses across multiple industries has shown us that companies succeed in direct parallel to how well they incentivize their employees. Managing Generation Y is no exception.

The more companies understand what makes Generation Y tick, the more they position themselves to win. Gen Y is the workforce of tomorrow. The sales enterprise that empowers this group of highly motivated individuals will enjoy motivational business results.

– STEVE DE MARCO, VP CORPORATE SALES,  
XACTLY CORPORATION

### LINKEDIN CASE STUDY



How LinkedIn interacted with Gen Y to retain top talent, foster team unity, and successfully navigate through their initial public offering with sales comp automation.

**NO CAPS.** LinkedIn adjusts its quotas quarterly but sets no limit on the bonuses sales reps can earn.

**DEMOCRATIC PROCESS.** LinkedIn involves all team members in crafting their job descriptions and compensation programs. Best practices include company-wide surveys and competitive benchmarking.

**THE WHOLE PACKAGE.** Free meals and ice cream on-site, anyone? LinkedIn offers a gym and other perks that appeal to Gen Y's need for work-life balance.

#### **LINKEDIN'S INCREDIBLE RESULTS**

**GEN Y CULTURE.** The average LinkedIn employee is 29 years old.

**TEAM BUY-IN.** LinkedIn's reps deliver on the objectives they help create. Perhaps that's why LinkedIn is repeatedly voted "coolest place to work" across the United States.

**RAPID GROWTH.** LinkedIn adds 1 million members each week and hired 100 reps per quarter in Q1 and Q2 in 2011.

**SUCCESS.** LinkedIn enjoyed a successful IPO in May 2011.