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Absolute versus relative sales failure

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ABSTRACT

Researchers and practitioners alike are striving to understand the consequences of sales failures on salespeople and sales organizations. This aim is increasingly important as organizations seek to persist toward goals, despite the occurrence of sales failures. However, despite indications that sales failure is not the inverse of sales performance, salesperson failures are under conceptualized as scholarly work focuses considerably more on the study of performance. Utilizing a sample of 626 salespeople, the present study seeks to introduce and understand the comparative impacts of two assessments of sales failure — absolute and relative. Results show the differential impact of absolute sales failure and relative sales failure on outcomes critical to organizational well-being, including salesperson job satisfaction, organizational commitment, and turnover intentions. Findings also evidence the moderated impact of company-related and salesperson-related resources which may influence the detrimental effects of each form of sales failure.

1. Introduction

Sales organizations are constantly monitoring the performance of the sales force and the resulting impact on organizational outcomes. Receiving considerably less attention, but of equal importance, sales organizations are also concerned with the impact of salesperson failures (Morris, LaForge, & Allen, 1994). Failure is an inherent part of the sales job. Monitoring sales failure is essential to maintaining the sales force and safeguarding corporate profitability (Mallin & Mayo, 2006). Notably, however, research shows that performance and failure likely operate independently of one another with a unique compilation of drivers, motivational reward systems, and downstream relational outcomes (Friend, Curasi, Boles, & Bellenger, 2014; Friend & Johnson, 2014). Given this understanding, research needs to continue to advance the field's limited understanding of sales failure by taking a more nuanced look at this phenomenon and its impact on the organization.

Organizations are implementing failure analysis and recovery efforts in order to persist toward their goals despite the natural occurrence of sales failures (Gonzalez, Hoffman, & Ingram, 2005). In order to help with this effort, the primary focus of research on sales failure assesses how salespeople attribute their failures and their subsequent behavioral adjustments and how organizations can provide specific resources to mitigate the negative impact of failure outcomes (e.g., Dixon & Schertzer, 2005). However, beyond attributions, the specific impact of the failure outcome on salesperson attitudes is essential to managing the human resource composition of an organization because when salespeople fail, the consequences adversely impact salesperson performance and turnover, cutting directly into the bottom line of an organization (Dixon & Schertzer, 2005). Turnover alone is projected to cost an organization three to four times a salesperson's annual compensation as a result of direct (e.g., recruitment, training) and opportunity costs (e.g., customer loyalty to the salesperson, vacant territories) (Lewin & Sager, 2010). Given that the rate of turnover in the sales profession is nearly two times that of other careers and the sales role is among the most difficult to fill (Boles, Dudley, Onyemah, Rouziès, & Weeks, 2012), a better theoretical understanding of sales failure is in high demand and can better prepare sales leaders to manage salespeople's expectations.

The detrimental impacts on the salesperson's attitudes and behavioral intentions may be influenced differently by their level of failure in absolute terms (i.e., percentage of a salesperson's sales calls resulting in failure) or in relative terms (i.e., the extent to which a salesperson's sales calls result in failure to a greater or lesser extent than his or her peers). The distinction between absolute and relative assessments is underutilized in sales, but has shown impact in other domains has been impactful, such as the differential influence of absolute versus relative wealth on life satisfaction (Hsee, Yang, Li, & Shen, 2009).

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The purpose of this research is to understand the comparative impacts of these two assessments of sales failure, providing a more nuanced understanding of failure and the effects of failure.

This paper expands sales failure research by conceptualizing two forms of failure assessments and hypothesizing differential comparative effects on salesperson satisfaction, commitment, and turnover. Further, this research also assesses the impact of company-related and salesperson-related resources which may mitigate or exacerbate the negative consequences of these different forms of failure. Findings from the moderated relationships will allow organizations to properly support their sales force in order to manage the human resource impact of sales failure.

2. Literature review

Scholars note that "much of the research in the area of selling and sales management focuses on salesperson performance, but in general, that research considers levels of performance and not failure," (Fine, 2007, p. 189). This dearth of research is due to an ineffective conceptualization of sales failure, especially compared to success (Churchill, Ford, Hartley, & Walker, 1985; Friend et al., 2014). Even as researchers increase their focus on sales failure (e.g., Dixon & Schertzer, 2005; Gonzalez et al., 2005; Mayo & Mallin, 2010), considerable work remains in conceptualizing different assessments of sales failure and their comparative impacts on work outcomes.

Salesperson failure is defined by Mayo and Mallin (2010, p. 233) as "a salesperson bidding for a sale they did not get." However, Dixon and Schertzer (2005) note that considerable variability exists in how salespeople define and interpret sales failure. Difficulties with conceptualizing sales failure may be partly due to the numerous ways organizations assess failure (e.g., behavioral versus outcome failures, failed relationships versus sales opportunities) and partly due to the situational characteristics which uniquely influence failure (e.g., salesperson, territory, economy) (Morris et al., 1994). The divergence in how the extant literature defines and attributes sales failure necessitates a nuanced view of the different types of sales failure and their potentially unique effects.

Dixon and Schertzer (2005) note the variability in how salespeople interpret sales failure influences subsequent sales behaviors. In numerous contexts, the unique lens through which an individual interprets an event or set of circumstances creates differential influences on relevant outcomes. The differences between absolute and relative assessments depict one of the best examples of this phenomenon. For example, while some individuals assume that absolute wealth determines happiness, others feel that happiness depends on levels of wealth relative to others (Hsee et al., 2009). These diverging perspectives draw upon different theoretical mechanisms to explain their relationships.

Absolute evaluations utilize economic theories, such as expected utility theory, and assume that utility is a function of absolute evaluations. In contrast, relative evaluations utilize behavioral theories, such as prospect theory, and indicate that utilities are relative to outcome values — namely gains and losses relative to reference points (Hsee et al., 2009). In sum, absolute and relative evaluations tap different aspects of attitudes (Olson, Goffin, & Haynes, 2007).

Drawing from the extant literature and operationalization of absolute and relative measures, this manuscript conceptualizes absolute and relative sales failure. This conceptualization is necessary given the emphasis in the literature to focus on absolute evaluations of sales failure, combined with the theoretical and methodological differences which distinguish absolute and relative evaluations. Thus, the extant literature may be missing an important element which identifies the multiple pathways emanating from sales failure. Henceforth, *absolute sales failure* is the percentage a salesperson's sales calls resulting in failure, while *relative sales failure* is the extent to which the salesperson's sales calls result in failure to a greater or lesser extent than his or her peers.

3. Hypotheses

Lost relationships can represent a substantial source of stress and displeasure. Failure may decrease job satisfaction, decrease organizational commitment, and increase turnover intentions (Fig. 1). Therefore, the study of sales failure allows organizations to create healthier climates for salespeople to deal with the accompanying adverse effects (Dubinsky, 1999).

3.1. Sales failure and job satisfaction

Scholars define job satisfaction as the "pleasurable emotional state resulting from the appraisal of one's job as achieving or facilitating one's job values," (Locke, 1969, p. 316) and failures within one's job influence job satisfaction. As sales failure occurs, salespeople generate unpleasant emotional reactions and are more likely to hold a negative appraisal of their job.

Behavioral learning theory (Cyert & March, 1963; Levitt & March, 1988) suggests that perceived performance gaps influences satisfaction. Dissatisfaction occurs as salesperson results fall short of expectations set by quotas, incentive systems, and/or industry norms. As these performance gaps widen, salespeople do not receive the benefits and behavioral reinforcement they need to improve their task-specific efforts (Nerkar, McGrath, & MacMillan, 1996). Therefore, as sales failure increases, job satisfaction is likely to decrease.

3.2. Sales failure and organizational commitment

Organizational commitment is an attitudinal reflection of the relative strength of an employee's psychological identification and involvement with the organization (Mowday, Steers, & Porter, 1979). Meeting (or not meeting) expectancy conditions influences organizational commitment (Scholl, 1981). Expectancy shortcomings occur when sales behaviors do not result in desirable buyer responses (Friend & Johnson, 2014).

Research shows lean economic times and low sales compensations can erode organizational commitment (Amyx & Alford, 2005). Given that salespeople with greater skill levels also possess greater levels of organizational commitment (Pettijohn, Pettijohn, & Taylor, 2007), lower skilled salespeople are likely less committed to their organization. Therefore, as sales failure increases, organizational commitment is likely to decrease.

3.3. Sales failure and turnover intentions

Failure of the salesperson to reach expected goals or standards is often revealed by turnover (Jolson, 1999). Failure may drive turnover intentions when the discomfort that results from sales failures exceeds the discomfort of searching for alternative employment opportunities and thus triggers a response (Johnson, Barksdale, & Boles, 2001). Therefore, as failures increase and the discomfort associated with failure follows, job search intentions become relatively more favorable. Research also tends to support the notion that propensity to leave is greater for low performers versus high performers (Futrell & Parasuraman, 1984). Therefore, as sales failure increases, turnover intentions are likely to also increase.

3.4. Comparative effects of absolute and relative failure

In stark contrast to the benefits experienced by salespeople externalizing the *cause* of sales failure (Mallin & Mayo, 2006; Mayo & Mallin, 2010) are the detriments associated with the *nature* of sales failure perceptions. Self-determination theory espouses the fundamental tenet of human agency is possessing control of one's fate (Ryan & Deci, 2000). Absence of control of one's situation is detrimental to one's attitudinal perceptions. The absolute level of failure is largely a

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