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ABSTRACT

Driven by organizational focus on bottom-line profitability, business-to-business (B2B) sales managers face pressure to justify and control sales expenses. As cost information becomes more accessible, higher value may be placed on this information relative to revenue information to help alleviate this pressure. Therefore, this study conceptualizes *cost prioritization* and argues that while bottom-line management gains may ensue, cost prioritization may also have unintended consequences for sales force engagement. Therefore, this research examines the effect of managerial cost prioritization on sales force turnover. Output control, behavior control, and micromanagement are identified as key factors impacting the relationship between cost prioritization and sales force turnover. Empirical testing is based on a survey of B2B sales managers from various industries across the United States. Results indicate cost prioritization increases sales force turnover. Output control attenuates, while micromanagement exacerbates, this relationship. In addition, functional and dysfunctional turnover are differentially impacted by cost prioritization.

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1. Introduction

Business-to-business (B2B) sales managers face pressure to justify sales force management expenses in pursuit of revenue growth (Kumar, Sunder, & Leone, 2014). The burden is twofold – on one end is pressure to organically grow topline revenue; on the other is pressure to deliver bottom-line profitability and financial accountability (Kumar et al., 2014; Skiera & Albers, 2008). While an abundance of sales management literature on improving sales performance exists (e.g. Ahearne, Lam, Hayati, & Kraus, 2013; Mullins & Syam, 2014), the consequences of prioritizing cost control in sales management have not received research attention. For instance, what happens if a sales manager prioritizes managing costs over revenue expansion? The aforementioned question is addressed by conceptualizing the notion of *cost prioritization* and arguing that while cost prioritization may appear to be a sound approach for financial accountability, cost prioritization may also have unintended consequences for the sales force.

Sales force turnover is identified as a key consequence of cost prioritization given that turnover remains a serious problem with ensuing complications. Utilizing the job demands–resources (JD–R) theory

and past research on control mechanisms (Jaworski, 1988), three moderating factors – output control, behavior control, and micromanagement – are hypothesized as impacting the relationship between cost prioritization and sales force turnover. Based on a survey of B2B sales managers, the results underscore three important contributions: (a) cost prioritization by sales managers increases sales force turnover, (b) output control attenuates, whereas micromanagement exacerbates, this effect on turnover, and (c) sales force functional and dysfunctional turnover are differentially influenced by managerial cost prioritization. As a result, academics and practitioners alike will have a better understanding of organizational outcomes that accompany bottom-line analyses typical of assessments of cost prioritization.

2. Research model and hypotheses

Turnover is a problem with considerable scope and ramifications (Boles, Dudley, Onyemah, Rouziès, & Weeks, 2012). Sales force turnover is conceptualized as the rate of turnover occurring among a collection of salespeople and includes both voluntary leaving and dismissal (Darmon, 1990). Sales force turnover captures the *incidence* of turnover, which is an important distinction from salesperson turnover measures, which typically capture the salesperson's *propensity* to leave. Across incidences, the occurrence of turnover among an organization's salespeople is costly. Not only do sales departments witness high turnover rates, but sales positions are among the most difficult to fill (Boles et al., 2012; Cheng, 2014). Thus, sales force turnover can be dysfunctional and is a key determinant of an organization's profitability (Darmon, 1990; Lewin & Sager, 2010).

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Despite calls for further research on turnover, opportunities remain for examining systematic procedures for managing sales force turnover (Darmon, 1990). One such opportunity stems from extant research's primary focus on salesperson-level factors (Lewin & Sager, 2010), while only focusing some on sales manager-level factors (Boles et al., 2012). In reality, however, sales manager-level factors have a dramatic impact on salesperson turnover. As noted by Robison (2008), dissatisfaction with a supervisor is the most frequently cited reason for quitting; indicating employees leave managers, not organizations. Research further supports this managerial influence on turnover, underscoring that sales manager decisions on budgets are related to salesperson turnover (Boles et al., 2012).

While sales manager-level factors are important in terms of their impact on turnover, a disparate amount of research attention is paid to such factors compared to salesperson-level factors. Further, a review of the extant literature on sales manager-level factors identified to influence salesperson turnover (see Table 1) shows the impact of sales manager's focus on and prioritization of costs is noticeably missing from the financial allocations category. Therefore, this study conceptualizes sales force turnover as the dependent variable in order to test the effect of sales manager cost prioritization. Further, this study explores how cost prioritization interacts with management controls (output control, behavior control) and style (micromanagement) to predict sales force turnover (see Fig. 1).

2.1. Cost prioritization and turnover

The current study utilizes JD–R theory as a base for the proposed model. A basic assumption underlying JD–R is that every occupation has a set of job demands and resources that have important influence on employee performance (Bakker & Demerouti, 2007; Demerouti, Bakker, Nachreiner, & Schaufeli, 2001). However, the particular demands and resources involved are dependent on characteristics of the individual job. Therefore, JD–R based studies tend to utilize a variety of resources, demands, outcomes, and other variables (Miao & Evans, 2013).

Job resources such as pay, career opportunities, and job security are among those aspects of the job that help employees achieve work goals or stimulate personal growth and development (Bakker & Demerouti, 2007). Job resources are an important predictor of employee engagement through their motivational nature (e.g., Bakker & Demerouti,

2007). Similarly, a lack of resources can reduce an employee's ability to meet job goals and lead to disengagement, withdrawal from work, and/or turnover (Demerouti et al., 2001). As such, the focal resource in this study is managerial cost prioritization.

Cost prioritization refers to the emphasis placed by the sales manager on monitoring, analyzing, and controlling costs more than monitoring, analyzing, and controlling revenue. Higher levels of cost prioritization indicate the primacy of cost control over revenue growth and a disproportionate amount of attention toward tracking and managing costs while managing the sales force. Despite the direct relevance of managing their unit's bottom-line (Skiera & Albers, 2008), a sales manager's cost prioritization is posited to run the risk of signaling an atmosphere of resource constraint, potentially affecting sales force turnover.

Multiple reasons exist to explain why cost prioritization would increase the rate of sales force turnover. In examining why people leave their jobs, March and Simon (1958) underscore two theoretical factors that help explain employee exit: (a) ease of departure and (b) desirability of leaving. Ease of departing is a function of the relative appeal of alternatives (Boles et al., 2012), while desirability of departing is a function of job satisfaction and organizational commitment. Cost prioritization is argued to impact turnover as a result of both factors.

First, as a sales manager's cost prioritization increases, this prioritization signals a resource constrained management, potentially limiting a salesperson's perception of earning opportunities. Since financial remuneration is often a primary reason to pursue a sales position (Miao, Lund, & Evans, 2009), perceived resource constraints shift the relative quality of alternative job opportunities (i.e., ease of departure). Second, a salesperson's commitment to the organization is often a function of key relationships within the organization, such as with their sales manager (Boles et al., 2012). Cost prioritization can strain this relationship as a result of incongruent goals between the salesperson (e.g., invest in inputs that drive outputs) and sales manager (e.g., constrain inputs while keeping outputs stable). If this strain is a reality, the lack of salesperson–sales manager goal alignment will influence perceived fit (i.e., desirability of leaving), and therefore turnover (Boles et al., 2012).

Finally, past research has demonstrated sales management actions, including compensation, have an impact on salesperson satisfaction and dissatisfaction (Darmon, 2008), which is further explained by JD–R theory (Bakker & Demerouti, 2007; Demerouti et al., 2001). JD–R

Table 1
Sales manager-level factors influencing salesperson turnover.

Sales manager-level categories	Sales manager-level factors	Exemplar source(s)
Leadership style	Leadership behavior and style	Adidam (2006), Boles et al. (2012), Jaramillo, Grisaffe, Chonko, and Roberts (2009), Treadway et al. (2004)
	Leader-member exchange quality	Aggarwal, Tanner, and Castleberry (2004), Boles et al. (2012), DeConinck (2011)
Supervision and support	Supervisory control and support	Brashear, Manolis, and Brooks (2005), Darmon (2008), DeConinck and Johnson (2009), Jones, Kantak, Futrell, and Johnston (1996)
	Supervision and supervisory trust	Adidam (2006), Boles et al. (2012), Brashear et al. (2005), Darmon (2008) Mulki, Jaramillo, and Locander (2006), Treadway et al. (2004)
	Developmental growth and promotion opportunities	Adidam (2006), Darmon (2008), Ganesan, Weitz, and John (1993)
Policy and structure	Microclimate and ethical climate	Boles et al. (2012), Fournier, Tanner, Chonko, and Manolis (2010), Jaramillo, Mulki, and Solomon (2006), Mulki et al. (2006)
	Recruitment, selection, and firing policies	Darmon (2008), Ganesan et al. (1993)
	Territory management and sales objectives	Darmon (2008)
Financial allocations	Sales force budgets	Boles et al. (2012)
	Employment and compensation models	Adidam (2006), Aggarwal et al. (2004), Bartol (1999), Darmon (2008)
	Earnings opportunities	Adidam (2006), Darmon (2008)

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