

# Executive Summary

Kiki Wang & Dandan Chen

November 2017

What are some retention strategies that sales organizations in various industries have been using to retain sales reps aside from compensation?

## Business Case

Management of sales organization views sales force retention as a critical objective <sup>1</sup>. The total costs associated with the quit decision of a single salesperson (recruiting, training and opportunity costs of lost sales from unmanned positions) is in the \$50,000-\$75,000 range <sup>2</sup>. Clearly, the adverse impact of salesforce turnover on both the profitability of the organization as well as the motivation level of the salesforce can be substantial. Therefore, it is urgent as well as crucial for sales organizations to develop retention strategies to incentivize sales representatives to stay with the company. The most crucial reason for voluntary turnover among salesforce is higher wages <sup>3</sup>. Salary growth effects on turnover were greatest for high performers, that is, high salary growth significantly reduced turnover for high performing employees <sup>4</sup>. However, besides salary, there are still a wide range of other strategies that companies can adopt to retain the salesforce.

## Retention Strategies

**Improve the Quality of Field Leadership.** Leaders that create trusted forms of relationships—such as the manager as a mentor focused on supporting and facilitating the salesforce’s career success and development—create higher affective organizational commitment and lower turnover intentions <sup>5</sup>. Salespeople who work under supportive leaders have higher levels of intrinsic motivation <sup>6</sup> and salespeople who work for considerate leaders are more satisfied with their jobs <sup>7</sup>, both of which are correlated with reported lower turnover intention. Novartis launched a mandatory coaching skill training to all sales managers to equip them with essential coaching skills. With improved coaching skills, sales managers are able to develop their team members, foster transparent communication and build trustworthy relationship with them.

**Provide Adequate Professional Development Opportunities.** Inadequate professional development, including coaching and training is another important reason that sales reps leave a sales job voluntarily <sup>8</sup>. Organizations need to reinforce the training and incorporate it into daily sales activities to yield higher payoffs. Accenture analysis shows that 7.9% of Chief Sales Officers see decreased sales rep turnover from training investments <sup>9</sup>. The firm-controllable activities like the length of sales training is found to have a significantly positive impact on salesforce retention <sup>2</sup>. Novartis provides tuition for District Salesforce Managers to attend one-year MBA program and for Sales Directors to attend EMBA programs. Enrollment in such programs means not only entitlement to a learning and development opportunity, but also a recognition to employees’ contribution.

**Invest More in Hiring.** Employers that adopt the competency-based hiring model with behavioral interviews only have 15% of hires who quit or were fired, compared to 41% of conventional hires. Competency-based hiring model combined with appropriate incentives can decrease turnover rate<sup>10</sup>. (Appendix A) Additionally, team-based hiring approach could also minimize turnover. Steelscape Inc. depends on a team of employees to determine which candidate is the best fit for the organization and for the team on which he or she would work. Although Steelscape’s hiring approach is expensive,

the company saves money in the long run because turnover is so low. In addition, productivity is high because the teams work well together, and employees gain a sense of business ownership through their involvement in the hiring process <sup>11</sup>.

**Foster an Organizational Culture of Recognition and Open Communication.** The company culture can foster retention by recognizing employees' contributions and instilling a sense of self-fulfillment. Open communication, a fun work environment, camaraderie, and a true open-door policy to management take the lead in making AGI's approximately 200 employees happy and productive. "Story Time" is the real core of the organization, which is a 60- to 90-minute session that keeps the entire workforce connected in a way that written communication and memos could never accomplish and fosters a sense of true camaraderie between colleagues <sup>11</sup>. AGI is such a great place to work that the employee turnover rate is currently 3 percent.

**Benefits and Perks.** Carefully designed benefits and perks can be very attractive for a salesforce, thus decreasing the turnover rate. Both Novartis and Amgen reward their top sales with an overseas trip every year. Unique travel experience with top sales reps from other countries and interactions with them during the trip will increase their sense of belonging to the company. Bayer created the Club of Top Sales, where top performers are entitled to hold special events to network with each other and share best practices of sales and management. Hence, the club serves as a network bonding this group of top performers in the salesforce.

**Allow Flexible Work Arrangement.** Accenture's flexible work arrangement initiative allows all of the employees to work just about any type of flexible work arrangement from a part time work arrangement, job-sharing, telecommuting, flex time, flex hours, flex leave. The commitment to flexibility comes from the top at Accenture and trickles down through all levels of the company<sup>1</sup>. As a result, Accenture's promise of flexibility delivers retention.

**Design Effective Equity Incentives.** For publicly listed companies, restricted stock units and stock option can also act as an incentive for salesforce to stay. Companies could set the time-based vesting schedules of stock options and restricted stock units in regard to at least how long companies want to retain them so they can only receive shares once the time restrictions lapse.

## **Conclusion and Recommendations**

---

There are a wide variety of retention strategies that companies can adopt to drive the turnover lower.

The key recommendations are:

- Dive into the root causes in terms of why sales representatives are leaving before making the retention strategies decision. Identifying the root cause is the most important step for developing retention strategies. Then focus on effective retention strategies rather than novel methods.
- Start with small and simple. For example, some recognition programs and perks can be delivered as quick wins.
- Be patient. Some retention strategies such as improved field leadership quality, fostering an organizational culture of recognition, and equity incentives need careful planning and long-term investments.

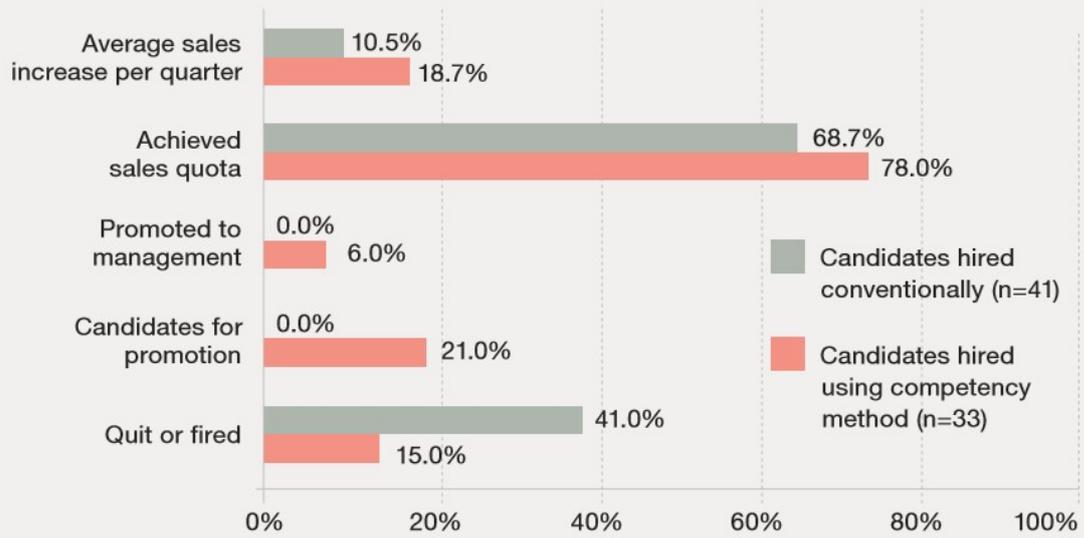
## Cited References

(Listed in order cited within Executive Summary)

1. Deeter-Schmelz, Dawn R., Daniel J. Goebel, and Karen Norman Kennedy (2008), "What Are the Characteristics of an Effective Sales Manager? An Exploratory Study Comparing Salesperson and Sales Manager Perspectives," *Journal of Personal Selling & Sales Management*, 28, 1 (Winter), 7–20.
2. Joseph, K., & Kalwani, M. (1992). Do Bonus Payments Help Enhance Salesforce Retention? *Marketing Letters*, 3(4), 331-341. Retrieved from <http://www.jstor.org.proxy.library.cornell.edu/stable/40216272>
3. Tang, T. L. P. (1992). The meaning of money revisited. *Journal of Organizational Behavior*, 13, 197202.
4. Martin, C. (2003). Explaining labour turnover: empirical evidence from UK establishments, *Labour*, 17, 391–412.
5. Brashear, Thomas G., Danny N. Bellenger, James S. Boles, and Hiram C. Barksdale, Jr. (2006), "An Exploratory Study of the Relative Effectiveness of Different Types of Sales Force Mentors," *Journal of Personal Selling & Sales Management*, 26, 1 (Winter), 7–18.
6. Jaramillo, Fernando, and Jay Prakash Mulki (2008), "Sales Effort: The Intertwined Roles of the Leader, Customers, and the Salesperson," *Journal of Personal Selling & Sales Management*, 28, 1 (Winter), 37–51.
7. DeCarlo, Thomas E., and Sanjeev Agarwal (1999), "Influence of Managerial Behaviors and Job Autonomy on Job Satisfaction of Industrial Salespersons," *Industrial Marketing Management*, 28, 1 (January), 51–62.
8. Salesperson Retention and Turnover survey by Sales Management Association. <http://salesmanagement.org/resources/single-article/research-brief-salesperson-retention-and-turnover>
9. Trends and insights from the 2013 Sales Performance Optimization Study, Accenture, 2013.
10. Susan Snyder and Marc Wallace, *Salesforce Retention: The Importance of Competencies & Incentives*, 2013, Hay Group.
11. Best Practices in Recruitment and Retention from Business & Legal Reports, 2006.

## Appendix A

Figure 1 | Competency Method Produces Superior Hires



Source: Hay Group