The Strategic Alignment of Organizational Interventions for Salesperson Development with Salesperson Lifecycle Management Model

Joon-Hee Oh
Georgia State University

Follow this and additional works at: http://scholarworks.gsu.edu/marketing_diss

Recommended Citation
http://scholarworks.gsu.edu/marketing_diss/27
PERMISSION TO BORROW

In presenting this dissertation as a partial fulfillment of the requirements for an advanced degree from Georgia State University, I agree that the Library of the University shall make it available for inspection and circulation in accordance with its regulations governing materials of this type. I agree that permission to quote from, to copy from, or publish this dissertation may be granted by the author or, in his/her absence, the professor under whose direction it was written or, in his absence, by the Dean of the Robinson College of Business. Such quoting, copying, or publishing must be solely for the scholarly purposes and does not involve potential financial gain. It is understood that any copying from or publication of this dissertation which involves potential gain will not be allowed without written permission of the author.

Joon-Hee Oh
NOTICE TO BORROWERS

All dissertations deposited in the Georgia State University Library must be used only in accordance with the stipulations prescribed by the author in the preceding statement.

The author of this dissertation is:

Joon-Hee Oh
35 Broad St. NW
J. Mack Robinson College of Business
Georgia State University
Atlanta, GA 30302

The director of this dissertation is:

Wesley J. Johnston
Marketing
35 Broad St. NW
J. Mack Robinson College of Business
Georgia State University
Atlanta, GA 30302
The Strategic Alignment of Organizational Interventions for Salesperson Development with Salesperson Lifecycle Management Model

BY

Joon-Hee Oh

A Dissertation Submitted in Partial Fulfillment of the Requirements for the Degree Of
Doctor of Philosophy
In the Robinson College of Business
Of
Georgia State University

GEORGIA STATE UNIVERSITY
ROBINSON COLLEGE OF BUSINESS
2014
ACCEPTANCE

This dissertation was prepared under the direction of the STUDENT’S NAME Dissertation Committee. It has been approved and accepted by all members of that committee, and it has been accepted in partial fulfillment of the requirements for the degree of Doctoral of Philosophy in Business Administration in the J. Mack Robinson College of Business of Georgia State University.

H. Fenwick Huss, Dean

DISSERTATION COMMITTEE

Wesley J. Johnston
Naveen Donthu
Denish Shah
Todd J. Maurer
ABSTRACT

The Strategic Alignment of Organizational Interventions for Salesperson Development with Salesperson Lifecycle Management Model

BY

Joon-Hee Oh

April 21, 2014

Committee Chair: Wesley J. Johnston

Major Academic Unit: Marketing

While earlier studies have discussed such individual factors as motivation, retention, and productivity as they relate to effective and productive sales force management, organizational factors, such as organizational development interventions, are also critical in developing salespeople and identifying their value, and have not been sufficiently studied. In response to the research gap, this study presents a salesperson lifecycle management model for identifying and optimizing salespersons’ value using effective and productive organizational development interventions. Such organizational development interventions should be proven valid for recognizing the proper alignment of people strategies with organizational goals. Surprisingly, this important aspect of sales management has not gained serious attention thus far. To fill the research gap, this study develops a quantitative basis that measures salesperson value and salesperson lifetime value for identifying an optimal organizational development intervention decision. To address the research objective, this study conducts a simulation with four different organizational development investment strategies and, under each strategy, three different sales performance types. This study also empirically tests the quantitative basis developed in the study two with an actual salesperson performance data from one of global consumer financing company and finds that sales organizations can utilize the quantitative basis for effective and productive organizational development intervention strategies.
TABLE OF CONTENTS

Chapter I: Overview

Chapter II: Research Background

A. Managing the Evolving Salesperson and Organizational Development Interventions

B. Measuring Salesperson Value and Evaluating Development Interventions

Chapter III: Three Studies

A. Study 1: Conceptual Framework – Salesperson Value Management Strategy for Effective Sales Force Development and Management
   1. Introduction
   2. Conceptual Background
      2.1 Lifecycle Model and Salesperson Value
      2.2 Experiential Learning Transfer and Changes in Salesperson Value
      2.3 Salesperson Value Perception and Organizational Development Intervention
   3. Salesperson Lifecycle Management Model
      3.1 Salesperson Lifecycle Management Model – Stage I: Enhancement of Salesperson Value through Experiential Learning
      3.2 Salesperson Lifecycle Management Model – Stage II: Competency Management
      3.3 Salesperson Lifecycle Management Model – Stage III: Retention Management
   4. Salesperson Value Management Strategy for Effective Organizational Development Interventions
      4.1 Salesperson Value Management Strategy
      4.2 Strategic Extension
   5. Implications, Limitations, and Future Study
      5.1 Managerial Implications
      5.2 Academic Implications
      5.3 Limitations and Future Study
   6. Conclusion

B. Study 2: Valuing the Salesperson in an Optimal Organizational Development Investment
   1. Introduction
   2. Measuring Salesperson Value
      2.1 Definition of Salesperson Value
      2.2 Measuring Salesperson Value
      2.3 Measuring Salesperson Lifetime Value
   3. Simulation Study
      3.1 The Objectives of the Simulation
3.2 Three Types of Salesperson and Four Organizational Development Investment Strategies
3.3 Optimization
3.4 Assumptions
3.5 Organizational Development Investment Contribution to New Sales Closing
3.6 Determination of Organizational Development Investment Expenses

4. Results and Findings
   4.1 Salesperson Value, Salesperson Lifetime Value, and Break-even Point
   4.2 Organizational Development Investment and Firm Salesperson Value

5. Discussions
6. Contributions and Limitations
   6.1 Expected Contribution to Practitioners
   6.2 Expected Contribution to Literature and Future Studies
   6.3 Limitations

7. Conclusion

C. Study 3: Empirical Validation of the Quantitative Basis
   1. Introduction
   2. Salesperson Lifecycle Management Model and Quantitative Basis
      2.1 Managing the Evolving Salesperson and Organizational Development Interventions
      2.2 Measuring Salesperson Value and Evaluating Development Interventions
   3. Data
      3.1 Sales Closing Performance
         3.1.1 Sales Performance Data for 2009 Batch
         3.1.2 Sales Performance Data for 2010 Batch
      3.2 Trainings and Development Investment Expenses
         3.2.1 Types of Training
         3.2.2 Development Investment Expenses and Marketing Expenses
   4. Data Analysis
   5. Results and Findings
      5.1 Result for 2009 Batch
      5.2 Result for 2010 Batch
      5.3 Findings and Discussions
   6. Implications, Limitations, and Future Study
      6.1 Managerial Implications
      6.2 Research Implications
      6.3 Limitations and Future Study
   7. Conclusion
Chapter I. Overview

There are 14 million salespeople in North America, and the average annual turnover is 30 to 40 per cent, with the average tenure of a sales rep lasting only nine months (Covert 2010). Managing such a short timeframe has created challenges and raised important questions about how people systems fit into overall corporate strategy. Moreover, salespeople evolve through career stages (Cron 1984). As salespeople evolve, it is essential for firms to continually adapt their management strategies because salespersons’ psychological and sociological needs vary, and their job performance and attitudes change (Cron 1984; Cron, Dubinsky, and Michaels 1988). Organizations must therefore strive to remain committed to sound tactics to align their sales force development and management strategies with their organizational imperatives.

To help businesses ensure workforce effectiveness and alignment with corporate goals in employee relation management practices, HR consultants have introduced employee lifecycle management (ELM), which offers benefits that align the workforce with the organization’s business needs, leading to heightened employee engagement and increased staff retention (Southcombe 2011). Direct application of ELM for sales force management, however, seems to be unfeasible because different business strategies require different arrangements of organizational practices for optimal performance (Slater and Olson 2000).

In marketing literature, Jolson’s (1974) career cycle model suggests that a salesperson’s career moves through the stages of preparation, development, maturity, and decline. Based on earlier research in sociology, clinical psychology, and vocational psychology, Cron (1984) presented a four career-stage model for salesperson management that includes the stages of exploration, establishment, maintenance, and disengagement. Both models present important
career scenarios that salespeople face in their occupational lives. However, neither model provides the practical contributions for sales organizations, which should perform interventions to develop and maintain highly committed and productive salespeople within their organizations. Therefore, while the earlier models deserve academic attention, their appreciation of salesperson career stages does not meet current sales organizations’ needs in terms of making critical and practical development intervention decisions. More importantly, these models thus fail to address sales organizations’ concerns regarding a successful alignment of their sales force development efforts with corporate goals.

This absence of strategic alignment in sales force management becomes more evident when considering the claim that firms lack an understanding of how best to measure and evaluate their training efforts (Attia, Honeycutt, and Leach 2005; Erffmeyer, Russ, and Hair 1991; Honeycutt, Howe, and Ingram 1993; Lupton, Weiss, and Peterson 1999) in developing a sales force. Moreover, researchers also claim that the most critical issue facing sales force development efforts is how to effectively assess sales training programs (Leach, Liu, and Johnston 2005). These training objectives should be aligned with organizational goals (Attia, Honeycutt, and Leach 2005), while recognizing that previous salesperson development efforts are not always formulated by sales organizations (Dubinsky and Hansen 1981; Honeycutt, Howe, and Ingram 1993).

Therefore, to help sales organizations make decisions that successfully align with their corporate goals, the first study presents the salesperson value management strategy for sales organizations that answers two important strategic questions: how to effectively provide organizational development interventions for successful salespeople development and how to measure and evaluate the development intervention efforts.
The strategy addresses the first question by presenting salesperson lifecycle management (SLM) model, which is based on lifecycle model (Van de Ven and Poole 1995: Van de Ven 2007) and theories on experience-learning-knowledge transfer (Grant 1996; Kolb 1984; Morrison and Brantner 1992; Seibert 1996; Tracy, Tannenbaum, and Kavanugh 1995; Timperley, Wilson, Barrar, and Fung 2007). The model identifies three lifecycle stages based on salesperson value along salesperson lifecycle and sales organizations’ perception on salesperson value. This study claims that, first, identifying salesperson value is critical for successful sales force development. Second, sales organizations must categorize their current sales force for salesperson lifecycle stages based on salesperson value. Lastly, the categorization leads to necessary and relevant development interventions for each stage to achieve a maximum possible return from the investment.

The stage-specific interventions, however, should be proven valid to ensure better alignment of organizational strategies for effective and successful sales force development. In the US, companies spend $20 billion annually on salesperson training programs (Canaday 2013) and, in technical markets (e.g., computers, imaging systems, and chemicals), the costs associated with the development of a single salesperson can exceed $100,000 (Johnston and Marshall 2006). Needless to say, these investments account for a significant portion of any single firm’s investment. However, according to McKinsey, 75 percent of the senior managers McKinsey surveyed believe that their training programs fail to contribute to the success of the business (DeSmet, McGurk, and Schwartz 2010).

Therefore, to help sales organizations ensure effective management of their sales force and answer the second strategic question, the second study introduces a quantitative basis for measuring salesperson value for effective and productive organizational development.
intervention decisions. For validating the quantitative basis, the study conducts a simulation that eventually determines the most effective organizational development investment decisions, thereby ensuring successful alignment with organizational strategies. The simulation study finds that stage-specific organizational development investment can ensure effective and productive sales force development and provides a support for the salesperson value management strategy.

Though the quantitative basis provides important implications for strategic decision-making on organizational development interventions, it is limited in terms of its application to firm practices. Empirical support should therefore be followed, as it enhances the quantitative basis for a better application. Therefore, the third study empirically validates the salesperson value management strategy and the quantitative basis. Using actual sales performance data from one of the leading global consumer financing companies, the study tests the applicability of the quantitative basis in a real working environment.

The empirical analysis utilizes the three-year sales performance data of 882 salespeople of the firm and its development and training programs for the salespeople. The values of those salespersons are measured such that the quantitative basis, which is based on a salesperson value management strategy proposed, can ensure whether sales organizations may utilize them for effective and productive organizational development intervention strategies. And, this study finds that the empirical validation supports the findings from the simulation study and further supports the claim that sales organizations may utilize the quantitative basis and the salesperson value management strategy for effective and productive organizational development intervention strategies.
Chapter II. Research Background

1. Managing the Evolving Salesperson and Organizational Development Interventions

Salespeople evolve through stages (Cron 1984; Cron, Dubinsky, and Michaels 1988; Cron and Slocum 1986; Jolson 1974; Slocum and Cron 1985). Evolution implies some level of development. What is being developed in salespersons’ evolution is their value. Both organizations and salespersons invest in the salespeople’s development and recognize their value. As salespeople evolve, therefore, it is essential for firms to continually adapt their management strategies to recognize the value properly.

However, sales organizations often find that the task of identifying salesperson value challenging because salespeople evolve through their different lifecycle stages. As salespeople evolve, their psychological and sociological needs vary, and their job performance and attitudes change (Cron 1984; Dubinsky and Skinner 2002). This study claims that such salesperson evolution impedes sales organizations’ attempts to align their strategic development interventions (e.g., trainings and development programs) with each salesperson’s stage-specific expectations and demands. This can result in organizations failing to recognize salesperson value correctly.

To help organizations to manage employee relation effectively, human resources (HR) consultants introduced employee lifecycle management (ELM) to help businesses ensure workforce effectiveness and alignment with corporate goals. Smither (2003) proposes two important aspects of ELM. First, employees at every phase of the lifecycle believe that the work they do is important and meaningful. Second, employers should be aware that employees who
care about the firms and their careers will deliver better results and will be more committed to their careers within the company. Therefore, for sales organizations, ELM may offer benefits that align the workforce with the organization’s business needs, leading to heightened employee engagement and increased staff retention (Southcombe 2011).

Direct acceptance of ELM in sales force management, however, should be discouraged because different business strategies require different arrangements of organizational practices for optimal performance (Slater and Olson 2000). Moreover, salespeople serve a boundary-spanning role (Belasco 1966; Dubinsky, Howell, Ingram, and Bellenger 1986) and are different from other "internal" employees (Singh 1998). As a boundary spanner, salespeople are influenced by two parties: the customers and the employer. The role of salespeople is thus determined by social interaction with customers, and this role changes according to inconsistent influences from such interactions. This boundary-spanning role of the salesperson within a sales organization creates another challenge concerning the direct application of ELM for managing the sales force.

In marketing literature, Jolson (1974) was the first scholar to discuss an age/job tenure and performance relationship based on career development (Cron 1984). His study proposes the salesperson career cycle model, in which a salesperson's performance goes through four stages (i.e., preparation, development, maturity, and decline), thereby producing a performance function resembling the familiar product life cycle curve. However, despite some empirical support for the relationship (Kirchener, McElwain, and Dunnette 1960), the salesperson career cycle framework lacks the detail necessary to make it useful for most situations (Jolson 1974) and fails to consider variance in performance (Cron 1984). Moreover, the salesperson career cycle
framework’s longer, if not infinite, time horizon does not reflect the high turnover rate and the short tenure of salespersons in current sales organizations in a practical manner.

Based on earlier research in sociology, clinical psychology, and vocational psychology, Cron (1984) presented a four career-stage model for salesperson management that includes the stages of exploration, establishment, maintenance, and disengagement. His study identifies a series of career stage characteristics and discusses career objectives, developmental tasks, personal challenges, and psychosocial needs for each career stage. As noted in the study, however, the practicability of the suggested, broadened salesperson perspective is questionable (see Cron 1984, page 50). Another study, basing on Cron’s (1984) propositions and extending to recent empirical results, examined the influence of career stage on components of salespeople’s motivation–valence for rewards, expectancy, and instrumentality–and presented a career stage framework (Cron, Dubinsky, and Michaels 1988). However, the study found that none of the hypotheses received full empirical support and thus argued for additional studies regarding various subjects, including the investigation of the moderating influence of career stage on salesperson performance (see Cron et al. 1988, page 88).

While these studies present important career factors that salespeople face in their occupational lives and suggest that salespeople’s work perceptions change over time along with their career stage, less research has considered how managers can contend with the changing job attitudes of salespeople throughout their lifecycle stages and how the managers can better utilize the evolving skills and abilities of salespeople at different stages (Flaherty and Pappas 2002). In response to this research dearth, a recent study presents a conceptual organizational development intervention model designed to allow sales organizations to determine: (1) the training needs for salespersons; (2) the training impact on trainees; and (3) the training impact on the firm (Attia,
Honeycutt, and Leach 2005, page 253). While this model can provide some level of practicality for sales organizations, it nonetheless faces challenges in terms of research design and measurement concerns. One of these challenges is the autonomy of salespeople, as salespeople have significant latitude and regular information for how to contend with the stressful sales situations they may encounter (Singh 1998). This makes evaluating their behaviors in the field difficult, as the extraneous influences (e.g., changing economics conditions, marketing programs, and competitive actions) on the final outcomes must be evaluated for calculating the bottom-line tangible measures and actual dollar contributions (Attia, Honeycutt, and Leach 2005).

Therefore, while the earlier models deserve academic attention, their appreciation of salesperson career stages does not meet sales organizations’ critical needs to make effective and practical development intervention decisions. More importantly, these models fail to address sales organizations’ concerns regarding a successful alignment of their sales force development efforts with corporate goals. This imposes the following critical question to marketing researchers: how to effectively provide organizational development interventions for developing and managing salespeople. Addressing the question, this study ensures to help sales organizations make decisions that successfully align with their corporate goals.

2. Measuring Salesperson Value and Evaluating Development Interventions

As salespeople evolve, organizations are required to continuously enhance their methods for managing such personnel. At the same time, salespersons’ needs and demands differ by stages (Cron and Slocum 1986), making the alignment of people strategies and organizational imperatives challenging. This is especially true when people strategies in sales organizations
involve managing sales force through compensation. Sales organizations believe that compensation systems can motivate the sales staff or entice them to switch to new employers (Slater and Olson 2000). Often, however, compensation schemes do not consider the evolving nature of salespersons’ growth and fail to be aligned with organizational objectives, as they only focus on technical aspects of rewards and motivation (Zoltners, Sinha, and Lorimer 2006). Therefore, this study claims that for effective sales force management, organizational interventions for salesperson development must reflect salespersons’ evolving needs and demands.

Interventions (e.g., trainings or other development/learning programs) should be proven valid for promoting the proper alignment of people strategies with organizational goals. As discussed in an earlier study, however, evaluations of such development interventions that are in line with firm-level objectives are difficult to attain (Attia, Honeycutt, and Leach 2005; Honeycutt and Stevenson 1989; Kirkpatrick 1994; Lupton, Weiss, and Peterson 1999), mainly because of measurement difficulties (Warr, Allan, and Birdi 1999). Moreover, the ROI approach, a prevalent and well-accepted method in human resource and development literature, has been vigorously questioned regarding its efficacy in human development investment for decades (e.g., Flamholtz, Bullen, and Hua 2002: Schultz 1961).

Despite all these challenges, there have been advances in research on the evaluation of employee development interventions. Most recently, returns on development interventions (RODI) analysis (Avolio, Avey, and Quisenberry 2010) for organizational leadership development interventions were presented in management literature, leveraging the earlier discussion to evaluate the value of such training interventions (Geber 1995; Honeycutt, Karande, Attia, and Maurer 2001; Philips 1998) and the Cascio’s ROI methodology (1989). This allows
for an evaluation of leadership development intervention effectiveness over multiple time points rather than at a fixed beginning and end. Marketing literature also has gone through similar discussions from economic (Dubinsky 1981), utility (Honeycutt et al. 2001), and data development analysis (Boles, Donthu, and Lothia 1995) perspectives.

Central to these discussions is the methodology for evaluating organizational employee development interventions. The main purpose of such an evaluation is to find the value of training and development interventions. More importantly, these discussions have stimulated further interest and research in the area. However, as noted in an earlier study, the stimulation has faced challenges due to such issues as data access and the longitudinal nature of the sales training under evaluation (Attia, Honeycutt, and Leach 2005).

Therefore, while the earlier frameworks deserve academic attention, they also found their limitation in applying such frameworks to sales force development and management practices due to the reasons recognized above. More importantly, these frameworks also fail to address sales organizations’ concerns regarding a successful alignment of their sales force development efforts with corporate goals. This again imposes the following critical question to marketing researchers: how to measure and evaluate organizational development intervention efforts for their salespeople. Addressing the question, this study mitigates the challenges identified in the earlier studies and ensures to help sales organizations make decisions that successfully align with their corporate goals. Thus, this study contributes to the literature by providing a development intervention strategy and a strategic tool for sales organizations to effectively develop their sales force to be aligned with overall corporate goals.
REFERENCES


Chapter III. Three Studies

A. Study 1: Conceptual Framework – Salesperson Value Management Strategy for Effective Sales Force Development and Management

Abstract

While earlier studies have discussed such individual factors as motivation, retention, and productivity as they relate to effective and productive sales force management, organizational factors, such as organizational development interventions, are also critical in developing salespeople and identifying their value, and have not been sufficiently studied. In response to the research gap, this study presents a salesperson lifecycle management model for identifying and optimizing salespersons’ value using effective and productive organizational development interventions. The salesperson lifecycle management model represents an opportunity to leverage human capital more effectively and to reduce the costs associated with sales force development and turnover. In addition, using a return on development investment approach, this study introduces a return analysis on organizational development interventions within a salesperson value management framework. The framework is designed to find interactions between the return analysis and break-even point of interventions, providing sales organizations with strategic implications regarding how to manage organizational investment and salesperson contributions.
1. Introduction

A recent survey by Watson Wyatt (2009) of 129 sales and HR executives at large North American companies found that sales force productivity/efficiency and coaching/development are two of the top issues facing sales force. This implies that given relatively flat staffing levels, companies need to get more out of their current salespeople in order to meet increased sales goals that are set for the following year/s. The survey further found that for such objectives, companies would need to pay attention to issues of motivation, retention, and productivity regarding their sales force. Furthermore, their ability to identify top sales performers, to train, coach and mentor them, and to drive high levels of productivity is the key to success. In summary, these findings confirm that salesperson value management is critical in productive sales force management, and that efficient organizational development interventions play an important role in ensuring the successful development of salesperson value within an organization.

Prior studies have discussed such individual factors as “motivation” (Cron, Dubinsky, and Ronald 1988; Ingram, Lee, and Skinner 1989; Miao and Evans 2007; Tyagi 1982, 1985, 1990; Johnston and Keysuk 1994), retention (Brashear, Manolis, and Brooks 2005; Johnston, Parasuraman, Futrell, and Sager 1988; MacKenzie, Podsakoff, and Ahearne 1998), and productivity (Jones, Brown, and Zoltners 2005; MacKenzie, Podsakoff, and Fetter 1993; Sujan, Weitz, and Sujan 1988) in terms of effective and productive sales force management. However, organizational factors, such as organizational development interventions, which are also critical in developing salespeople and identifying their value, have not yet gained significant research attention (Zoltners, Sinha, and Lorimer 2006).
This study fills this research gap by presenting a salesperson value management strategy and addresses how sales organizations effectively perform development interventions for their sales force. Employing lifecycle model and experience, learning, and knowledge transfer theories, the strategy addresses the question with salesperson lifecycle management model. Within the salesperson lifecycle management model, this study identifies three stages and describes the characteristics of each stage to distinguish one from another. This study claims that these distinctions lead to the provision of different organizational development interventions for salespeople at specific stages, and that such stage-specific interventions will ensure a better alignment of organizational strategies for effective and productive sales force development, and for salesperson value identification.

This study also discusses a return analysis on organizational development interventions for sales force development. Despite the fact that organizations are supposed to consider the financial returns on their investments when making capital investment decisions, such return analysis on salesperson development interventions has not gained serious attention in sales literature thus far (Attia, Honeycutt, and Leach 2005). In management literature, Avolio, Avey, and Quisenberry (2010) discuss returns on development investments (RODI) from an employee development perspective. The RODI approach contributes to the literature by providing a structured decision-making process for organizations to determine the necessary interventions. Especially in an economic recession, organizational development interventions that are proven valid with a return analysis only encourage decision-makers to make better investment decisions and to be more aligned with their organizational goals (Avolio, Avey, and Quisenberry 2010). Using this approach, this study introduces a return analysis on organizational development interventions within a salesperson value management framework. The framework is designed to
find interactions between the return analysis and break-even point of interventions, providing sales organizations with strategic implications regarding how to manage organizational investment and salesperson contributions.

The remainder of this study is organized as follows: in the next section, it presents the salesperson lifecycle management model with stage-specific characteristics. It then discusses the salesperson value management framework for interaction analysis between organizational investment for development (i.e., RODI) and break-even point to provide strategic implications for salesperson lifecycle management model applications of sales force management. Finally, the implications and present limitations of the study are described.

2. Conceptual Background

Researches have attempted to apply lifecycle model to sales force management practices (e.g., Cron 1984; Jolson 1974). While these studies present important career factors that salespeople face in their career stages, less research has conducted how managers can contend with the changing job attitudes of salespeople throughout their lifecycle stages and how the managers can better utilize the evolving skills and abilities of salespeople at different stages. Therefore, to help the organizations make decisions that successfully align with their corporate goals, this study presents a salesperson lifecycle management model, which enables firms to improve their sales force management by dividing the current sales force into lifecycle stages based on salesperson value. This categorization and consequent stage-specific view helps sales organizations properly approach the evolving salespersons’ unique expectations and demands (Cron 1984; Dubinsky and Skinner 2002) and effectively evaluate the effectiveness of organizational interventions by
identifying salesperson value at each stage, at which the different development interventions
should be made.

2.1. Lifecycle Model and Salesperson Value

A lifecycle is, by definition, the useful life of a product or system, or, by extension, the
developmental history of an individual, or group within a given society. Lifecycle models reflect
the process of an entity’s change as it progresses through a necessary sequence of stages or
phases (Van de Ven and Poole 1995). The typical progression of a lifecycle process is a unitary,
cumulative, and conjunctive sequence of stages, because the content and historical sequence of
these changes is prescribed and regulated by an institutional, natural, or logical program
prefigured at the beginning of the cycle (Van de Ven 2007). In its application to salespersons, the
lifecycle model implies that salespersons evolve through stages with changes in their value,
which is identified through their net contribution to organizations, and can be arranged and
structured by the organization.

Researches have attempted to apply lifecycle model to sales force management practices
(e.g., Cron 1984; Jolson 1974). Jolson (1974) identified salespersons career stages in his career
stage model, which merely reflects changes in salesperson productivity. Cron (1984) presented a
career-stage model that includes the stages of exploration, establishment, maintenance, and
disengagement and identified a series of career stage characteristics and discusses career
objectives, developmental tasks, personal challenges, and psychosocial needs for each career
stage. While the studies present important career factors that salespeople face in their
occupational lives and suggest that salespeople’s work perceptions change over time along with
their career stage, one limitation in the career stage models is the lack of consideration given to
the strategic organizational interventions for the defined career stages and to the effectiveness of such interventions in sales force development. This limits an organization’s strategic alignment between intervention decisions and corporate goals, and requires research advancements in the field of salesperson development and management. Some studies (e.g., Attia, Honeycutt, and Leach 2005) attempted to address the limitation, but faced challenges in terms of research design and measurement concerns (e.g., autonomy of salespeople, see Attia, Honeycutt, and Leach 2005). Moreover, researchers have identified a lack of research on dealing with the evolving salespersons and their changing job attitudes through their career stages (Flaherty and Pappas 2002; Zoltners et al. 2006).

In response to the research gap, this study develops a salesperson lifecycle management model for effective organizational development interventions. As an initial step, building up the earlier discussions on salespersons’ evolution through the career stages, this study claims that salespersons’ evolution is a process of developing and managing salespersons value. Evolution, by definition, implies some level of development. What is being developed in salespersons’ evolution is their value. Sales organizations invest in the salespeople’s development and recognize their value.

Salespersons evolve throughout their career stages (Allen and Meyer 1993; Cron 1984; Jolson 1974). Evolution implies some level of development. What is being developed in salespersons’ evolution is their value. Both organizations and salespersons invest in the salespeople’s development and recognize their value.

Sales organizations, however, often find the task of identifying salesperson value challenging and face difficulties in practicing development interventions for their salespeople (Attia, Honeycutt, and Leach 2005). This is partly because salespeople evolve through their
different career stages. As salespeople evolve, their psychological and sociological needs vary, and their job performance and attitudes change (Cron 1984; Dubinsky and Skinner 2002). As such, salesperson evolution impedes sales organizations’ attempts to align their strategic development interventions (e.g., trainings and development programs) with each salesperson’s stage-specific expectations and demands. This can result in organizations failing to recognize SV correctly. Therefore, identifying salesperson value is critical for sales organizations’ successful sales force development.

This study defines salesperson value as what an individual contributes to an organization but also what the organization incurs in terms of expenses for that contribution. A typical, solid example of salesperson value is salespersons’ sales closing. Sales closing, in this study, means achievement of the desired outcome, which may be an exchange of money or acquiring a signature. It is, thus, the end of sales process that generates revenue for firm. The sales closing of salesperson is more than just outcome of organizational interventions (e.g., induction trainings, sales trainings, sales supports, etc.). Factors such as market conditions, seasonality, or marketing efforts deserve consideration as well. However, in spite of the difficulty in isolating the training and development effects from the other contributing factors (see Attia, Honeycutt, and Leach 2005), it is reasonable to assume that organizational development interventions may play a significant role in generating sales closings. Therefore, this study claims that any expenses incurred in creating sales closings are strong and stable determinants of salesperson value, upon which a salesperson’s lifecycle framework for making effective organizational development intervention decisions is based. Hence, the following conceptual formula is set:
\[ \text{Salesperson Value (SV)} = \text{Salesperson Contribution (SC)} - \text{Organizational Development Investment (ODI)} \]

In the conceptual formula above, organizational development investment (ODI) includes expenses incurred in salesperson training and development, such as induction training (e.g., orientation and membership trainings), sales training (e.g., training on products, services, and sales skills), sales supports (e.g., allocated marketing and sales or product promotional expenses on the products or services sold), and other salesperson training and development programs (e.g., ad-hoc training on new product, regulation changes, and compensation scheme changes). Salesperson contribution (SC) is revenue generated from the new sales of products or services. To reflect the isolation issue (see Attia et al. 2005), this study proposes that SC be considered in line with the ODI that are assigned for the creation of the sales and allocated to the specific individual salesperson. Therefore, SC becomes a function of the ODI contribution, taking into account the sales volume and the product/service margin.

2.2. Experiential Learning Transfer and Changes in Salesperson Value

A progression in a lifecycle process can be defined as a salesperson’s experience–learning–knowledge transfer process. In other words, as salespersons progress throughout their lifecycle, they experience organizational interventions, learn from the experience, and transfer that learning into knowledge construction. In the transfer of the experiential learning to knowledge, experience can be stored in salespersons’ memory, discarded if they are not interested or fail to find immediate relevance to their interest, or forgot when times passes or the experience itself it is not repeated. The stored experience can be later retrieved by certain stimuli.
such as development training (Timperley, Wilson, Barrar, and Fung 2007) if the stimuli are relevant to their objective (i.e., sales). Then, the retrieved experience can be either replicated or transformed for learning. And the learning is accumulated for salespersons’ knowledge construction.

For instance, additional sales trainings on new product/service (i.e., new experience) help salespeople retrieve their prior experience (e.g., initial sales training or on-the-job training). When they find the new experience is similar to the prior, salespersons reproduce the prior experience to see if they can still leverage it for the new experience in selling the new product/service. If they find that the replication of the prior experience for new product/service sales does help them, then they confirm that the new experience adds value to the prior experience and store the new experience next to the prior experience in their memory. If they find the replication is not helping them in selling the new product/service, then salespersons compare the new experience with the prior experience and find a need to transform the prior experience in respective of the new experience to help improve the sales. In this transformation process, the prior experience can be either completely changed or modified in character to assist them to sell the new product/service. In case they find a difference between the prior experience and the new experience but still relevant to their objective, salespersons transform the prior experience to see if it can be leveraged for the new experience in selling the new product/service. When the transformation is successful (i.e., helps the sales), salespersons confirm that the transformed experience can add value and store it along with the new experience in their memory. If it turns out to be not successful, however, salespersons discard the (transformed) prior experience and instead keep the new experience in their memory.
This study claims that these confirmation/comparison and replication/transformation processes contribute to salespersons’ learning from experience and eventually assist salespersons’ knowledge construction and salesperson value. In other words, sales organizations’ development interventions provide the stimuli that allow more such processes and, therefore, they help salespersons enhance their value. If they are provided with such stimuli throughout their career stage, salesperson value increases as they go through the career stages. Figure 1.1 shows the knowledge construction process.

![Knowledge Construction Process and Salesperson Value](image)

**Figure 1.1. Knowledge Construction Process and Salesperson Value**

Salespersons, however, experience a marginal decrease in value as they move along their career stages further. The marginal decrease in salesperson value occurs when a transfer of experiential learning to job competency (e.g., knowledge, skills, and ability) enhancement and subsequent salesperson value enhancement is less obvious. In the transfer of the experiential learning to knowledge, experience is stored in salespersons’ memory and later retrieved by certain stimuli such as development training (see Timperley et al. 2007). As they evolve through
their career stages, salespersons experience fewer stimuli and thus have fewer chances to retrieve earlier experiential learning stored in their memory; they subsequently have a smaller chance of learning transfer into knowledge. Therefore, salespersons value is expected to decrease marginally as they evolve through their career stages. Figure 1.2 shows the experience-learning-knowledge transfer process that salespersons go through during their career and subsequent changes in salesperson value. This study claims that the change in salesperson value determines salesperson lifecycle.

This study also claims that, as salespersons evolve further through the career stages, their value is expected to decline. In the later stage of salespersons’ career, organizational development investment is usually minimal, if any. Salespersons perceive a lack of organizational support, which leads to job stress and job dissatisfaction (Rhoades and Eisenberger 2002). Croteau and Wolk (2010) claim that talented staff members become demotivated if they feel trapped by a lack of career growth opportunities or salary ceilings. These in turn negatively affect employees’ attitudes about learning and developing (Mathieu and Martineau 1997; Maurer, Weiss, and Barbeite 2003). Sales closing is stagnant, if not decreasing,
in the later stage. According to Porter and Lawler (1968), job performance is a function of three variables: motivation level, ability, and role clarity. And as Steers (1977) claimed, highly committed person is thought to exert high levels of effort, indicating employee engagement is positively related to job performance. A perceived lack of organizational support and employee demotivation also leads to employees’ emotional disengagement from organizations, as Harter, Schmidt, and Hayes (2002) noted. Their study found that emotional disengagement negatively affects employee turnover. Therefore, SV decreases in its absolute terms. These dynamics are illustrated in Figure 1.3.

![Figure 1.3](image)

Figure 1.3. Organizational Development Investment, Motivation, Salesperson Disengagement, and Turnover

2.3. Salesperson Value Perception and Organizational Development Intervention
From the beginning, salespersons are being evaluated according to their or their managers’ subjective expectations and according to their organizations’ objective performance indicators (Johnston and Shields 1983). The evaluative perception of salespersons comprises the salesperson value perception, which is defined in this study as the salespersons’ or sales organizations’ recognition or appreciation of an individual salesperson’s value within an organization. Thus, salesperson value perception necessarily results in under- or over-expectation if not met precisely with the changes in the expected salesperson value.

The expected salesperson value is the organization’s expectation of salespersons’ value enhancement (Johnston and Shields 1983). According to Avolio and his colleague’s (2010) study, such expectation leads to organizational investment for value enhancement. Therefore, it is expected that salesperson value increase as organizational investment persists during salespersons’ tenure. From Figure 1.4, the gaps between the straight line (i.e., expected salesperson value) and salesperson lifecycle indicate the mismatches in expectations and actual realization of salesperson values. These mismatches trigger necessary actions for firms to accommodate the identified gaps (Kuhl and Beckmann 1985; Lazarus 1991; Roseman 1984).
Among the mismatches, salesperson value under-expectations (SV under-expectations on Figure 4) indicate that the actual appreciation of salesperson value is below the expected level. The salesperson value relating to under-expectation (SV under-expectation (1)) can be recognized usually before salespersons develop sufficient knowledge, skills, and ability (KSA) for contributions (i.e., sales revenue contributions). During this stage, organizational interventions are necessary for the enhancement of salesperson value. Another salesperson value under-expectation (SV under-expectation (2)) can be recognized in the later stage, when a net negative contribution occurs even with the developed KSA. In this stage, firms may observe salesperson turnover (see Jackofsky 1984). Therefore, the necessary organizational development interventions should be different from the ones for the earlier stage of salesperson value under-expectation and more focused on salesperson retention.

For salesperson value over-expectation (SV over-expectation on Figure 4), organizational interventions need to be arranged to maintain the higher level of salesperson value because salespersons’ KSA is developed enough to deliver contributions (i.e., net gains). The effectiveness of, rather than the amount of the intervention serves the purpose in this stage because the objective of such interventions is to maximize the returns on the interventions. Therefore, a firm’s investment in this stage is typically lower than its investment in salesperson value under-expectation stages for maintaining a net gain.

In sum, salesperson value perception identifies the mismatches between the expected salesperson value and the realized salesperson value. The mismatches indicate different salesperson values at different career stages and these require different intervention strategies for the different stages. In each stage, the objective is to maximize the return on interventions in
conjunction with related expenses. Hence, this study identifies three salesperson lifecycle stages for an organizational development intervention strategy (see Figure 1.5):

- Stage 1: Enhancement – development and enhancement of salesperson value
- Stage 2: Maintenance – net increase of salesperson value
- Stage 3: Retention – management of potential salesperson disengagement

![Organizational Interventions]

**Figure 1.5.** Salesperson Lifecycle Stages and Organizational Interventions.

### 3. Salesperson Lifecycle Management Model

In addition to the identification of the stages with salesperson value perception for effective organizational development intervention strategy, this study notes that salespersons develop unique expectations and demands as they evolve through career stages (Cron 1984; Dubinsky and Skinner 2002). Organizational development interventions, therefore, must be unique and
stage-specific if they are to properly address such different characteristics. The salesperson lifecycle management model allows firms to improve sales force management by categorizing salespeople into lifecycle stages. Each lifecycle stage is characterized by different features that reflect the evolving salesperson’s unique expectations and demands, and organizations can strategically allocate their limited resources for better and more effective sales force development based on these characteristics. Moreover, such an alignment between organizational interventions and salesperson expectations helps organizations evaluate the effectiveness of the organizational interventions by identifying the salesperson value at each stage for which the different development interventions should be enacted.

Therefore, the objective of the salesperson lifecycle management model is to ensure a better alignment of the stage-specific development interventions with the organizational strategies for effective and productive sales force development and salesperson value identification. The following summarizes the characteristics of each stage and suggests a method for how sales organizations should manage each stage to attain salesperson development and value realization.

### 3.1. Salesperson Lifecycle Management Model – Stage I: Enhancement of Salesperson Value through Experiential Learning

The first stage includes newly hired salespersons. Basic and formal training and developmental programs are offered for the salespersons. In addition to the acquisition of necessary selling skills derived from the sales training, salespeople at this stage learn organizational disciplines and visions, acquire product and service knowledge, and experience teamwork. Due to the strong presence of such organizational interventions, salespeople are
typically motivated to learn (Parker et al. 2003; Tyagi 1982). Despite the efforts, salesperson value is typically negative (i.e., organizational development investment > salesperson contribution).

The experiential learning theory emphasizes the central role that experience plays in the learning process and defines learning as the process whereby knowledge is created through the transformation of experience (Kolb 1984). Experience is critical in learning and developing the KSA necessary for effective performance (Morrison and Brantner 1992). In addition to knowledge, skills, and motivation, there is also evidence that work experiences can shape attitudes, values, and even personality characteristics (Brousseau 1984; Kohn and Schooler 1978, 1982; Mortimer and Lorence 1979). The knowledge-based view, which emerged from resource-based theory, argues that the knowledge embedded within individuals is ultimately their only source of a competitive advantage (Grant 1996).

Therefore, organizational development interventions at this stage should be targeted to promote salespersons’ experiential learning as they acquire competent salesperson knowledge. However, learning does not automatically follow from experience. As Seibert (1996) notes, learning requires both a desire to learn and an environment that provides opportunities for reflection and learning. In the training literature, for example, there is evidence that an appropriate climate and a continuous learning culture influence the extent to which the training experiences translate into the acquisition of new knowledge and positive behavioral outcomes on the job (Tracy, Tannenbaum, and Kavanugh 1995). Likewise, a supportive (sales) team and supervisor may also help individuals gain more from training and other work-related experiences by making them feel more comfortable in using their new knowledge and skills (Tesluk and Jacobs 1998).
In summary, organizations should focus on developing competent salesperson knowledge by implementing development interventions that promote salespersons’ experiential learning during the first stage of salesperson lifecycle management model. Figure 1.6 shows the dynamics involved in stage 1.

Figure 1.6. Salesperson Lifecycle Management Model – Stage 1: Salesperson Value Enhancement with Experiential Learning

3.2. Salesperson Lifecycle Management Model – Stage II: Competency Maintenance

In the second stage, salesperson contribution exceeds investment. Salesperson value increases but not as much as it did in the earlier stage. This shift indicates that organizations’ extended efforts to promote salespersons’ experiential learning should continue in this stage in order to contribute to a continuous learning culture and to successful job competency.
enhancement. Job competency relates to the demonstration of various skills, aptitudes, and performance levels as they are related to a specific position or job within a company (McLagan 1996). Some scholars regard competence as a combination of the knowledge, skills, and behaviors that are used to improve performance (e.g., Mansfield 1996). Therefore, the successful establishment of job competency should affect job performance positively.

The amount of training that a salesperson receives is less than that in the first stage because basic selling skills and induction training, which make up a major portion of the training, are not usually repeated for salespeople in this stage. Instead, advanced sales skills, new product and service training, role-plays, and teamwork experiences are offered along with feedback, mentoring, and coaching from supervisors as well as senior salespeople.

Mentoring (Kram and Hall 1996) provides the support for salespeople to collaborate for synergistic knowledge development. While a learning environment and a continuous learning culture influence the extent to which training experience translates into knowledge (Tracy et al. 1995), performance improvement is likely to occur when salespeople experience another important type of organizational intervention: feedback and coaching (Peterson and Hicks 1995). Earlier studies have found that the feedback intervention that is provided for a familiar task, containing cues that support learning, is likely to yield notable gains in performance (Kluger and DeNisi 1996). The performance improvement is most likely to occur when feedback indicates that change is necessary. According to the study by Smither, London, and Reilly (2005), recipients have a positive feedback orientation, perceive a need to change their behavior, react positively to the feedback, believe that change is feasible, set appropriate goals to regulate their behavior, and take actions that lead to skill and performance improvement.
While such qualitative development interventions are proven to be valid for salesperson development, these interventions also imply that sales organizations may notice a productivity distinction between the salespeople in this stage. This phenomenon is due to individual differences in the ability to transform learning into competency as well as individual differences in variables such as openness to experience and propensity for continuous learning (see Vicere and Fulmer 1998). Research also shows that a salesperson’s openness to new experiences is positively related to his or her performance improvement (Dominick, Reilly, and Byrne 2004). Related to the individual difference variable is the propensity for continuous learning. Continuous learning motivates individuals to anticipate changes in job requirements, request and use feedback, set development goals, participate in learning activities, practice new behaviors, apply learning on the job, and improve their performance (Vicere and Fulmer 1998). Organizations need to contend with such individual discrepancies simply because overall performance improvements only contribute to higher returns on development interventions.

In summary, this stage is critical for sales organizations because they can make changes in developmental interventions to realize salesperson value. At this stage in particular, sales organizations strive to achieve an appropriate return on development investment (RODI) due to diminishing developmental investment and increasing salesperson productivity. In general, a break-even point (BEP) indicates the point at which gains equal losses, and at which organizations start to realize a positive return on their investments. In this study, BEP indicates a positive RODI. Thus, organizational efforts to improve salesperson productivity are positively linked to RODI and lead to a faster realization of BEP. Subsequently, achieving BEP early in a salesperson’s lifecycle can assure a more effective and productive investment in salesperson
development. A more detailed discussion of BEP identification and management is provided in later sections. Meantime, Figure 1.7 describes the dynamics involved in stage 2.

![Diagram of Salesperson Lifecycle Management Model – Stage 2: Competency Maintenance](image)

**Figure 1.7. Salesperson Lifecycle Management Model – Stage 2: Competency Maintenance**

### 3.3. Salesperson Lifecycle Management Model – Stage III: Retention Management

Salespeople at this stage are the most experienced, mature, and profitable for sales organizations. There are many factors that can influence whether a highly talented staff member will build a career within an institution or use it as a stepping-stone (Croteau and Wolk 2010). Croteau and Wolk further claim that whatever their career objectives might be, talented staff members become demotivated if they feel trapped by a lack of career growth opportunities or salary ceilings, and leave their area of special excellence to pursue positions in other organizations.
By committing to organizational development interventions, sales organizations can succeed in developing a competent sales force and in identifying top sales performers via salesperson value recognition. However, all such efforts are in vain if they fail to retain such salespeople within their organization. The attrition of skilled salespeople will be detrimental for a sales organization. This is true not only because of the loss of the contribution from the salespeople, but also because of the required time and effort to replace salespeople from within or outside the organization. There is also a contribution from the unhealthy effect on sales force morale and eroding customer confidence (Boe 2011). This stage, therefore, requires more specialized attention from sales organizations.

This study suggests three tasks for sales organizations to successfully manage salespeople in this stage: career counseling, advanced developmental programs (e.g., training related to career development and management), and succession planning. If the salespeople in this stage, as claimed in an earlier study, are the most career-oriented, then advanced learning and development opportunities should be offered (Attia et al. 2005; Cron 1984). Career counseling can thus be provided to identify promotion opportunities within the organization. However, it is an undeniable fact that sales organizations eventually experience seasoned sales force attritions. To minimize the negative impact of sales force attritions on business, sales organizations must develop a succession plan.

Succession planning is, by definition, a process for identifying and developing internal individuals with the potential to fill key business leadership positions within the company. In leadership development literature, effective succession or talent-pool management concerns itself with building a series of feeder groups up and down the entire leadership pipeline (Charan, Drotter, and Noel 2001). However, salesperson succession planning is not a well-established
topic in sales and marketing literature, likely because of the boundary-spanning nature of sales, and because of the frequent movement of salespersons across organizations, which may characterize many sales organizations as ‘revolving doors’ (Adizes 1989). While succession planning is a popular topic in management and leadership development literature, its application to salesperson succession planning should gain management attention because of a sluggish economy, flattened staffing levels, and challenging growth targets, as claimed in the Watson Wyatt Survey (2009).

A key objective for effective succession planning is to identify those with the potential to assume greater responsibility within the organization (Kesler 2002). Using its stage-specific organizational development interventions, the salesperson lifecycle management model enables firms to correctly identify salesperson(s) and assists the firms in providing critical development experiences to the salesperson(s), who can then move into key roles within the organization. Such an identification of salesperson value and the corresponding organizational development interventions are perceived as organizational support, and may improve salesperson commitment and retention. However, this strategy might not work for matured salespersons because they often are defined as being at the career plateau stage (MacKenzie, Podsakof, and Rich 2001). Therefore, organizations need to extend the succession plan to further minimize the negative impact of sales force attrition by reallocating matured salespersons’ accounts under management to other salespersons who are identified with the potential to assume greater responsibility. By doing so, customer attrition, often following on from salesperson attrition can be decreased.

Succession planning, with its implications for account management, is illustrated in Figure 1.8. Figure 1.9 describes the dynamics observed in stage 3.
Figure 1.8. Succession Planning
In summary, this study presents salesperson lifecycle management model that incorporates the basic nature of the lifecycle while reflecting the unique characteristics of salespersons, and considers the change in sales organizations as they progress through a necessary sequence of stages. The salesperson lifecycle management model reflects the earlier notions on salespersons’ progression through career stages (Allen and Meyer 1993; Cron 1984; Jolson 1974) and the evaluation/appreciation of salesperson value in line with the expected salesperson value (Johnston and Shields 1983). Mismatches are identified to trigger organizational actions to accommodate the gaps (Kuhl and Beckmann 1985; Lazarus 1991; Roseman 1984), which results in different organizational development investment strategy for one particular stage from others. Accordingly, three stages are defined for stage-specific organizational interventions. Table 1.1 summarizes the characteristics of each stage within the salesperson lifecycle management model.

<table>
<thead>
<tr>
<th>Stage</th>
<th>Stage 1 (Enhancement)</th>
<th>Stage 2 (Maintenance)</th>
<th>Stage 3 (Retention)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salesperson Value</td>
<td>Typically negative</td>
<td>Positive, but marginal decrease</td>
<td>Plateau, but eventual decrease</td>
</tr>
<tr>
<td>Who</td>
<td>New hires (0~3 months)</td>
<td>Trained (4 ~ 12 months)</td>
<td>Seasoned (+12 months)</td>
</tr>
<tr>
<td>Interventions</td>
<td>Induction, basic selling skills, product/service knowledge</td>
<td>Continuous learning opportunities, mentoring, coaching</td>
<td>Career promotion, succession planning</td>
</tr>
</tbody>
</table>
### Table 1.1. Stage Characteristics of Salesperson Lifecycle Management Model

<table>
<thead>
<tr>
<th>Strategic Focus</th>
<th>Job competency</th>
<th>Sustainability</th>
<th>Retention Management</th>
</tr>
</thead>
</table>

4. **Salesperson Value Management Strategy for Effective Organizational Development Interventions**

Salesperson lifecycle management model has important strategic implications for sales organizations that want to develop and promote salespeople as quickly as possible to attain an optimal investment. In line with optimal investment realization, this study employs salesperson value management strategy to provide sales organizations with strategic implications about how to practice effective organizational investment for salesperson contribution and, subsequently, for salesperson value maximization.

4.1. **Salesperson Value Management Strategy**

Salesperson value management strategy is designed to help organizations correctly realize salespersons’ values and find ways to improve return on development investment. For a successful implementation of salesperson value management strategy, one important assumption must be made: when salespeople evolve throughout their lifecycle, their sales competency, which is positively related to their sales performance, also evolves with their lifecycle. The consideration of salesperson lifecycle for effective salesperson value management can only be
realized when sales organizations manage salesperson value for individual salespeople by estimating the investment returns for each salesperson at each distinct stage.

An individual salesperson value is defined in this study as the net individual contribution after considering the allocated organizational investment for that specific salesperson. If the individual salesperson value is aggregated and becomes positive, the individual salesperson’s net investment gain (i.e., break-even point) is achieved. Sales organization’s goal is thus to optimize the aggregated salesperson value, which implies obtaining the earliest possible break-even point. In line with this objective, this study suggests three hypothetical strategies for firms to optimize aggregated salesperson value:

- **Strategy 1** – Increasing salesperson contribution with constant organizational development investment (Figure 1.10-A);
- **Strategy 2** – Decreasing organizational development investment with constant salesperson contribution (Figure 1.10-B);
- **Strategy 3** – A combination of Strategy 1 and 2 (i.e., increasing salesperson contribution while decreasing organizational development investment) (Figure 1.10-C).
Figure 1.10-A. Salesperson Value Management Strategy 1

Figure 1.10-B. Salesperson Value Management Strategy 2
4.2. Strategic Extension

The hypothetical strategies have different magnitudes of influence on break-even point attainment. Ideally, salesperson value management strategy 3 may work best in terms of its effect on break-even point (i.e., the largest increase in salesperson value: Figure 10-C). However, all the strategies are difficult to realize because investments also improve contributions (e.g., sales performance) (Eisenberger, Fasolo, and Davis-LaMastro 1990; Rhoades and Eisenberger 2002; Wanye, Shore, and Liden 1997). Based on the claimed positive relationship between investments and contributions, therefore, this study develops the strategic extensions from the three basic salesperson value management strategies and their possible outcomes (Figure 1.11):

- Strategy 4 – High initial investment (i.e., $I_1 \rightarrow I_2; C_1 \rightarrow C_2$).
- Strategy 5 – Low initial investment (i.e., $I_1 \rightarrow I_3; C_1 \rightarrow C_3$).
These indicate that a high initial investment to increase salesperson contributions (i.e., strategy 4) generates higher aggregated salesperson value, contributing to a higher return on development investment and a shorter time to break-even point \((t_1 \rightarrow t_2)\). Delaying the investment to later stages (i.e., strategy 5) may lead to a longer break-even point month \((t_1 \rightarrow t_3)\) because of the delayed increase in salesperson contribution. The shorter break-even point, as claimed in this study, implies higher return on development investment for the particular salesperson value management strategy. Therefore, if the earlier contention (e.g., Eisenberger et al. 1990 and others) still holds, organizations can expect that early investment guarantees maximum returns on the organizational development investment.

In sum, salesperson value management strategy is a stage-specific strategic implication regarding “how-to-practice” effective organizational development investment for salesperson
contribution and subsequent salesperson value maximization. It is based on salesperson lifecycle management model because salesperson value management strategy intends to find interaction between investment (organizational development investment) and contribution (salesperson contribution), ensuring better investment decisions for being more aligned with their organizational goals. Salesperson value management strategy helps the organizations identify a proper intervention strategy to maximize aggregated salesperson value, higher return on development investment and shorter break-even point. In particular, based on the earlier contention on the relationship between investment and contribution, salesperson value management strategy suggests that a high initial investment is effective organizational development investment decision that results in shorter break-even point (and higher return on development investment and maximized salesperson value).

5. Implications, Limitations, and Future Study

5.1. Managerial Implications

Two important questions should be addressed when organizations are involved in investment decisions for employee development: when to invest and how much to invest. For successfully answering such critical questions, this study claims that sales organizations’ correct identification of salesperson values, which vary along each salesperson’s lifecycle, is primary, and assures effective development interventions to maximize their return on development investment. In this regard, salesperson lifecycle management model helps firms to address the relevant questions because it enables the firms to improve their sales force development and management tactics with the categorization of their sales force based on salesperson value and
with a stage-specific view for investment decisions. In particular, each lifecycle stage denotes different characteristics that reflect the evolving salesperson’s unique expectations and demands, on which sales organizations strategically allocate their limited resources for better and more effective sales force development. Such alignment of organizational interventions with salesperson expectations helps the sales organizations evaluate the effectiveness of the organizational interventions by identifying salesperson value in each stage, for which the different development interventions should be undertaken.

As a practical application of the salesperson lifecycle management model, the salesperson value management strategy helps organizations find ways to improve return on development investment in order to achieve a shorter time to break-even point. This study claims that organizational development interventions must be stage-specific if they are to properly address salespersons’ unique expectations and demands at each lifecycle stage. Hence, an effective and efficient salesperson value management for break-even point realization becomes feasible through the consideration of the individual salesperson lifecycle. This can be realized when sales organizations manage the break-even point for individual salespeople by estimating returns on their investment for each salesperson at each different stage. Such salesperson value management framework will help organizations to correctly realize salesperson values and find ways to improve return on development investment to achieve shorter times to break-even point.

Successful implementation of succession planning is beneficial for sales organizations because it enables firms to correctly identify salespersons who can take greater responsibilities and it contributes to competent sales force retention. In addition, it assists firms in managing account attrition, which often follows on from salesperson attrition (Ware and Fern 1997)
5.2. Academic Implications

This study contributes to the literature by focusing on the successful organizational strategic alignment between their development and management intervention decisions and their corporate goals. One limitation in the earlier career stage models (e.g., Cron 1984; Jolson 1974) is the lack of consideration given to the strategic organizational interventions for the defined career stages and to the effectiveness of such interventions in sales force development. This limits an organization’s strategic alignment between intervention decisions and corporate goals, and requires research advancements in the field of salesperson development and management. To address the issue of the separate development in strategy and evaluation, earlier studies (e.g., Attia et al. 2005) attempted to address the limitation, but faced challenges in terms of research design and measurement concerns (e.g., autonomy of salespeople). Moreover, researchers have identified a lack of attention to organizational factors in sales force development and management (Zoltners et al. 2006), and a lack of research on dealing with the evolving salespersons and their changing job attitudes through their career stages (Flaherty and Pappas 2002). In this regard, salesperson lifecycle management model fills the gap and advances research in the field of salesperson development and management.

The application of the lifecycle model into sales force development and management is different from the earlier adoption of such a model for the simple identification of career stages (see Cron 1984; Jolson 1974). In this study, the lifecycle reflects the process of a salesperson’s experience–learning–knowledge transfer, which is a function of organizational development interventions. This definition indicates that salespersons evolve through their lifecycle stages with changes in salesperson value, which can be identified in terms of their net contributions over organizational development investment. Such a progressive nature of salesperson value
calls for firms’ stage-specific interventions that maximize the effectiveness of such interventions and assist the firms in achieving a successful alignment with their corporate goals. Therefore, the current study contributes to the literature by presenting a conceptual model that is designed to express and model the behavior of the system over time.

This study posits that the expectation–confirmation theory (Oliver 1980) still holds for sales organizations where organizations often find mismatches in their expectations regarding salesperson value enhancement. This position gains empirical support from the earlier claims that the mismatches trigger necessary organizational strategic reactions to accommodate the identified gaps (Avolio et al. 2010; Johnston and Shields 1983; Kuhl and Beckmann 1985; Lazarus 1991; Roseman 1984). Therefore, organizational interventions in the categorization of sales force and the stage-specific view of intervention decisions are a necessary response to the identified gaps. This approach is unique and can differentiate the current salesperson lifecycle management model from the earlier career stage models, which employ productivity (Jolson 1974) and sociological and psychological distinctions (Cron 1984).

As noted, salesperson succession planning is not a well-established topic in sales and marketing literature but requires management attention because of a sluggish economy, flattened staffing levels, and challenging growth targets, as claimed in the Watson Wyatt Survey (2009). This study, in particular, claims its unique contribution to sales literature because of its strategic implication for a firm’s account management. Salesperson retention often has an unrecognized impact on account management because even managers in sales or customer services often fail to demonstrate sensitivity regarding the impact salesperson attrition has on customers (Ware and Fern 1997). In their study, Ware and Fern noted that customers often experienced a discontinuity in the relationship, a negative impact on their own productivity, and time wasted reorienting the
new employee to their operations and the way they work when key employees left customer-contact functions. However, this study identifies that there has been less research on the negative impact of salesperson attrition on account management, while noting that salesperson retention has been a popular research subject for years. Therefore, the introduction of succession planning serves as a tool for account management and customer relationship management, as well as for sales force retention.

Lastly, salesperson value management strategy suggests an optimal investment decision for organizations. In particular, based on the proclaimed positive relationship between investments and contributions (see Eisenberger, Fasolo, and Davis-LaMastro 1990; Jacobs and Washington 2003; Rhoades and Eisenberger 2002; Wayne, Shore, and Liden 1997), salesperson value management suggests that a high initial investment is effective organizational development investment decision that results in shorter break-even point (and higher return on development investment and optimized salesperson value). While this practical implication of the salesperson value management strategy calls for an empirical validation, this study claims that salesperson value management strategy contributes to the literature because it presents a conceptual framework that is designed to provide a stage-specific strategic implication regarding “how-to-practice” effective organizational development investment for salesperson contribution and subsequent salesperson value maximization.

5.3. Limitations and Future Study

In terms of the conceptual representation of return on development investment and break-even point, one limitation of this study is that an assessment of return on development investment and break-even point using actual data might provide different interaction
interpretations than the ones provided here. That is, different products and services offered in industries may hinder the generalization of the current study’s implications.

In addition, salesperson lifecycle management model presented in this study does not consider the ad-hoc nature of variables involved in the model, such as salesperson attrition during the 1st and 2nd stages. Though such attritions can be understood according to interactions between individual experience transfer ability and sales performance, it is not clear if organizations can expect ad-hoc attritions in practice. Thus, this study leaves this intriguing aspect of the salesperson lifecycle management model for future research.

No acquisition cost is reflected in the organizational development interventions. If required, the succession plan necessitates external replacements that can entail a substantial acquisition cost. Such a cost should be allocated to a specific salesperson and may bring a substantially delayed break-even point and lower return on development investment. This study considers this scenario to be too exceptional to be generalized into the model. However, this aspect also invites further consideration in future studies.

Moreover, this study includes no discussion on salesperson compensation and its potential impact on organizations’ intervention decisions. Sales organizations believe that compensation systems motivate salespersons within organizations or entice them to seek new employment (Slater and Olson 2000). However, this study argues that such organizational value practices often do not consider the evolving nature of a salesperson’s personal growth within an organization, and fail to be aligned with organizational objectives, instead focusing on the technical aspects of salesperson rewards and motivation (Zoltners, Sinha, and Lorimer 2006). Regardless of its lack of consideration of SV, salesperson compensation has been one of the popular research subjects and may deserve additional research attention.
Salesperson lifecycle management model has important strategic implications for sales organizations hoping to develop and promote salespeople as quickly as possible so that they can attain the BEP with optimal investments. To this end, this study proposes salesperson value management to help organizations correctly maximize salesperson values and to find ways to improve return on development investment and promote shorter break-even point achievement times. The strategic implications in salesperson value management, regarding how to practice effective organizational investment for salesperson contribution, are conditional on the positive relationship between investment and contribution, and suggest that a high initial investment designed to increase salesperson contribution maximizes the aggregated salesperson value and contributes to achieving a higher return on development investment and a shorter time to break-even point. This strategy needs to be investigated empirically.

Lastly, organizational development interventions are perceived as organizational support (Rhoades and Eisenberger 2002) and can motivate salespeople (Piercy et al. 2006). Such motivation increases continuous learning (Egan, Yang, and Barlett 2004) and knowledge transfer (Osterloh and Frey 2000), leading to behavioral changes (Noe 1986) that promote organizational efforts to retain competent salespeople (Ramlall 2004). The dynamics described in this study invite empirical validation and generalization across industries.

6. Conclusions

Organizations do not usually expect the same level of organizational commitment from a sales force as they do from their full-time employees. However, organizations will only see a negative influence on business if they frame the sales organizations as revolving doors. If salespersons
exit almost as quickly as they enter, and the sales organizations lose qualified, experienced salespersons, it is clearly time for the organizations to change their management structure. In this regard, salesperson value management strategy may become a useful tool to manage sales force and to help the organizations align their people strategies with their corporate goals. Salesperson lifecycle management model represents an opportunity to leverage human capital more effectively and to reduce the costs associated with sales force development and turnover. An effective talent management strategy that incorporates salesperson lifecycle management will ensure that the sales force resources execute corporate strategy and favorably impact bottom-line results.
REFERENCES


B. Study 2: Valuing the Salesperson in an Optimal Organizational Development Investment

Abstract

American companies spend about $20 billion annually on sales training. Needless to say, these investments account for a significant portion of any single firm’s investment. However, a recent survey found that a majority of training programs fail to contribute to the success of business. Therefore, such organizational development interventions should be proven valid for recognizing the proper alignment of people strategies with organizational goals. Surprisingly, this important aspect of sales management has not gained serious attention thus far. To fill the research gap, this study develops a quantitative basis that measures salesperson value and salesperson lifetime value for identifying an optimal organizational development intervention decision. To address the research objective, this study conducts a simulation with four different organizational development investment strategies and, under each strategy, three different sales performance types. This study discusses the findings and their implication for effective organizational development investment decisions.
1. Introduction

In the US, companies spend $20 billion annually on salesperson training programs (Canaday 2013) and, in technical markets (e.g., computers, imaging systems, and chemicals), the costs associated with the development of a single salesperson can exceed $100,000 (Johnston and Marshall 2006). Needless to say, these investments account for a significant portion of any single firm’s investment. However, according to McKinsey, 75 percent of the senior managers McKinsey surveyed believe that their training programs fail to contribute to the success of the business (DeSmet, McGurk, and Schwartz 2010). Therefore, such organizational development interventions should be proven valid for recognizing the proper alignment of people-related strategies with organizational goals.

In the management literature, Avolio, Avey, and Quisenberry (2010) discuss the return on development investment from a leadership training perspective to provide the management with a quantitative basis for making effective decisions. Particularly in an economic recession, organizational development interventions that should be proven valid with such a return analysis encourage decision-makers to make better investment decisions that are more aligned with their organizational goals (Avolio et al. 2010). Surprisingly, this important aspect of sales management has not gained serious attention in the sales literature thus far (Zoltners et al. 2006).

This absence of strategic alignment in sales force management becomes more evident when considering the claim that firms lack an understanding of how best to measure and evaluate their training efforts in developing a sales force (Attia, Honeycutt, and Leach 2005; Spiro and Weitz 1990). Researchers also claim that the most critical issue facing sales force development efforts is how to effectively assess sales training programs (Leach, Liu, and Johnston 2005;
MacKenzie, Padsakoff, and Fetter 1993) and these training objectives should be aligned with organizational goals (Attia et al. 2005; Deshpande and Webster 1989).

Central to these discussions is the methodology for evaluating organizational development interventions. The main purpose of such an evaluation is to find the value of training and development interventions. More importantly, these discussions have stimulated further interest and research in the area. However, evaluations of such development interventions that are in line with firm-level objectives are difficult to attain (Attia et al. 2005; Honeycutt and Stevenson 1989; Kirkpatrick 1994; Lupton, Weiss, and Peterson 1999), mainly because of measurement difficulties (Warr, Allan, and Birdi 1999), data access and the longitudinal nature of the sales training under evaluation (Attia et al. 2005).

Therefore, to advance the knowledge accumulated in the related literature and to provide an alternative to the identified challenges, this study presents a quantitative basis to measure and assess the value of various training and development interventions. Based on the quantitative approach to measure the value, a simulation study is conducted for identifying the most effective organizational development investment decision, ensuring a successful alignment with organizational strategies. The findings suggest that stage-specific organizational development investment can ensure effective and productive sales force development.

The suggested framework can mitigate the challenges identified in the earlier study (e.g., Attia et al. 2005) because it employs the stage-specific development intervention strategy for the resolution of the longitudinal nature of the sales training being evaluated. The framework is also contributory because it measures salesperson value that reflects the value of training and development interventions, using easily quantifiable and accessible data at workplaces. Moreover, this study uses the salesperson value measured for identifying the most effective
organizational development interventions. Therefore, this study contributes to the literature by providing strategic tools for sales organizations to ensure sales force effectiveness and to align people strategies with overall corporate goals.

2. Measuring Salesperson Value

Salespeople evolve through their career stages (Cron 1984). Evolution, by definition, involves some level of development. What is being developed in salespersons’ evolution is their value. Both organizations and salespersons invest in the salespeople’s development to recognize their value. Sales organizations, however, frequently find the task of recognizing salesperson value challenging and face difficulties in practicing development interventions for their sales force (Attia et al. 2005; Cron et al. 2005). This is partly because salespeople evolve through their different career stages. As salespeople evolve through their career stages, their psychological and sociological needs change, and their job attitudes and performance change (Cron 1984; Dubinsky and Skinner 2002). This study claims that such salesperson evolution hinders sales organizations’ attempts to align their strategic development interventions (e.g., trainings and other development programs) with salesperson’s stage-specific expectations and demands. This can result in organizations failing to identify salesperson value correctly. Therefore, identifying salesperson value is critical for successful sales force development.

2.1. Definition of Salesperson Value

Value can be defined as benefits over costs (Doyle 2000). This study defines salesperson value as an individual’s contributions to an organization, taking into account the expense of the
contributions. A typical, solid example of salesperson value includes salesperson’s sales closings. The sales closings of a salesperson are more than just outcomes of organizational interventions. Factors such as market conditions, seasonality, or marketing efforts deserve consideration as well. However, in spite of the difficulty in isolating the training and development effects from the other contributing factors (see Attia et al. 2005), it is reasonable to assume that organizational development interventions may play a significant role in generating sales closings. Therefore, this study suggests that any expenses incurred in creating sales closings are strong and stable determinants of salesperson value, upon which a salesperson’s lifecycle management framework for making effective organizational development intervention decisions is based. Hence, the following conceptual formula is set:

\[ \text{Salesperson Value (SV)} = \text{Salesperson Contribution (SC)} - \text{Organizational Development Investment (ODI)} \]  

(1)

Organizational development investment (ODI) includes expenses incurred in salesperson training and development, such as induction training (e.g., orientation and membership trainings), sales training (e.g., training on products, services, and sales skills), sales supports (e.g., allocated marketing and sales or product promotional expenses on the products or services sold), sales commission, and other salesperson training and development programs (e.g., ad-hoc training on new product, regulation changes, and compensation scheme changes). Under the accounting principle, sales revenue is the basis for the distribution of marketing and promotional expenses. In other words, these expenses should be allocated to the products or services sold. Other expenses incurred for new sales closings are allocated to individual salespersons.

Salesperson contribution (SC) is revenue generated from the new sales of products or services. To reflect the isolation issue (see Attia et al. 2005), this study proposes that SC be
considered in line with the ODI that are assigned for the creation of the sales and allocated to the specific individual salesperson. Therefore, SC becomes a function of the ODI contribution, taking into account the sales volume and the product/service margin. The conceptual formula can be further specified as:

\[
Salesperson Value (SV) = ODI Margin - Marketing Expenses - ODI Expenses - Salesperson Commission
\]  

where, ODI Margin = Sales volume x ODI contribution rate x Product margin. ODI contribution rate is a rate of contribution of ODI to new sales closings. Marketing expenses are expenses that are allocated to the products/services sold and include sales promotions and advertisement. ODI expenses are any training-related spending for individual salespersons during their training and development and include expense allocation of training instructors and other training support materials. Lastly, salesperson commission is based on the sales volume considered with commission rate assigned for the products and services sold.

2.2. Measuring Salesperson Value

A number of models to calculate human assets have been developed. In leadership development literature, Philips' (2003) leadership scorecard methodology considers the total costs of a leadership development intervention with a fixed beginning and end date to determine return on investment (ROI). Based on the Brogden–Cronbach–Gleser Model for the cost of human resources investments (Brogden 1946, 1949; Cronbach and Gleser 1965), a method of estimating the effect of employee training interventions was presented (see Cascio and Boudreau 2008). This ROI methodology allows for the evaluation of leadership development intervention effectiveness over multiple points in time, rather than at a fixed beginning or end date. Most
recently, Avolio, Avey, and Quisenberry (2010) employed this methodology to assess the sustainability of the effects of a leadership development intervention over an extended period of time. In their methodology, ROI is calculated by initially subtracting the expected financial cost of investment (in leadership development) from the expected financial increase from that specific investment, following Cascio’s formula. The overall increase or decrease is then divided by the overall initial investment cost. The product is the return on organizational development investment (RODI). While this methodology seems robust in the leadership development literature, it calculates only the expected return on the investment and therefore is limited in its application to organizations’ evaluation process of their own development interventions.

Therefore, this study suggests two methods to realize salesperson value: the break-even point (BEP) and the return on developmental investment (RODI). Though these methods are unique in calculation, they are, in fact, closely related. In this study, BEP is defined as a function of salesperson contribution and organizational investment, and it can be realized when contributions exceed investments. That is, BEP is achieved when RODI > 1. A higher RODI leads to a shorter BEP. Thus, at any given time \( t \) within the salesperson lifecycle stages, the RODI for an individual salesperson \( s \) is expressed as:

\[
\text{RODI}_{st} = \sum_{t=1}^{T} \left( \frac{R_{st}}{I_{st}} \right)
\]

(3)

where, \( R_{st} \) denotes the revenue generated from sales activities by salesperson \( s \) at time \( t \); and \( I_{st} \) is the organizational investment for the salesperson \( s \) at time \( t \).

As BEP can be achieved when RODI > 1, organizations appreciate a salesperson’s value only when his or her cumulative contribution exceeds the cumulative organizational development investment. This phenomenon indicates that salesperson value (\( SV \)) for a specific salesperson \( s \) at any given time \( t \) can be determined with:
\[ SV_{st} = \sum_{t=1}^{T} (R_{st} - I_{st}) \]  \hspace{1cm} (4)

From the earlier definitions, the revenue generated from the new sales of products or services becomes a function of the ODI contribution when considering both the sales volume and the product/service margin in order to reflect the isolation issue, and the investment includes indirect expenses (e.g., marketing and sales promotional expenses and sales commission) and direct or ODI expenses. Therefore, salesperson value \((SV)\) for a specific salesperson \(s\) at time \(t\) can be further specified as:

\[ SV_{st} = \sum_{t=1}^{T} (OM_{st} - (ME_{st} + OE_{st} + Comm_{st})) \]  \hspace{1cm} (5)

where \(OM_{st}\) denotes the ODI contribution margin of salesperson \(s\) at time \(t\) (i.e., \(OM_{st} = V_{st} \times OC\) (ODI contribution rate: a rate of contribution of training and development programs to new sales closings) \(\times\) product margin). \(ME_{st}\) is marketing expenses (e.g., advertisement and promotion expenses) spent for sales generation by salesperson \(s\) at time \(t\) (i.e., \(ME_{st} = V_{st} \times OC \times\) expense allocation rate). \(OE_{st}\) is the ODI expense allocation to salesperson \(s\) at time \(t\). And, \(Comm_{st}\) is the commission payment (i.e., \(Comm_{st} = V_{st} \times OC \times\) commission rate) to salesperson \(s\) at time \(t\).

In this study, salesperson lifecycle is a function of \(SV\), which advances along the lifecycle, but decreases in the last lifecycle stages. Salesperson lifecycle is, therefore, a finite, closed-end lifecycle of a salesperson within a sales organization. As such, organizational developmental efforts should focus on optimizing firm \(SV\) with their limited resources (e.g., ODI) throughout the entire salesperson lifecycle by identifying individual salesperson values at any point in time. Because the salesperson lifecycle is finite, firm \(SV\) \((FSV)\) is an aggregated salesperson value throughout the life cycle (i.e. \(T\)) for all salespersons within the firm. That is:

\[ FSV = \sum_{s} \sum_{t=1}^{T} SV_{st} \]  \hspace{1cm} (6)
where $SV_{st}$ refers to the sum of the values of individual salesperson $s$ at time $t$; $s = 1, 2, \ldots, S$ ($S$: Total number of salespersons within the firm at time $t$).

### 2.3. Measuring Salesperson Lifetime Value

Organizations may need to identify salesperson value at any point in time to evaluate if their developmental efforts are in line with their organizational people-related strategies. The quantitative basis provided to calculate salesperson lifetime value ($SLV$) in this study should help organizations determine their present salesperson value at any point in time. Salesperson lifetime value ($SLV$) is a prediction of the net return on development investment attributed to the entire future salesperson lifecycle. $SLV$ can also be defined as the dollar value of all the current and future investment made for salesperson, based on the present value of the projected net return from the future investment. $SLV$ is an important concept in that it encourages firms to shift their focus from immediate outcome from their development investment to the long-term health of their sales force relationships. $SLV$ is also an important number because it represents an upper limit on spending to acquire new salesperson.

This study defines $SLV$ as the present value of all future net values obtained from a salesperson over his or her life within a single firm. $SLV$ is similar to the discounted cash flow approach used in finance, but differs in that $SLV$ is typically defined and estimated at an individual salesperson level. This allows us to differentiate between salespersons who are more profitable than others, rather than simply examining average profitability. $SLV$ for a salesperson $s$ is, therefore:

$$SLV_s = \sum_{t=1}^{T} \frac{SV_{st}A_s}{(1+i)^t} - HC_s$$

(7)

where,
\[ SV_{st} = \text{Salesperson Value of salesperson } s \text{ at time } t, \]
\[ A_s = \text{Attrition rate}, \]
\[ i = \text{Discount rate}, \]
\[ HC_s = \text{Salesperson hiring cost of the particular salesperson } s, \text{ if any, and} \]
\[ T = \text{Time horizon for estimating SLV}. \]

3. Simulation Study

To help sales organizations ensure sales force effectiveness and alignment with corporate goals, the previous section of this study introduced a quantitative basis to measure salesperson value and salesperson lifetime value. With the quantitative approach, this study conducts a simulation to identify the most effective organizational development investment decision to ensure the successful alignment with organizational strategies.

3.1. The Objectives of the Simulation

In the simulation study, this study creates three different types of sales performance, which represents three different salespersons, and four development investment strategies. The sales volume considered in the simulation is of products like personal loans, typically offered at consumer banks and other consumer financing companies. New sales closed by a salesperson generate revenue and show a certain trend if tracked over time. The trend analysis on salesperson productivity is important for sales force management because, in practice, the amount of sales generated by individual salespersons varies over time, and the trend of the amount of sales shows different trajectories within a given period.
The time-variant nature of sales performance trends indicates that any allocation of organizational investment that does not consider the trend may generate an incorrect appreciation in salesperson value. For example, salespersons in the earlier lifecycle stages are overvalued if they receive the same amount of allocation of organizational development interventions as the value of the salespersons, which are measured in terms of generated sales volume, since this is lower among salespersons in the earlier lifecycle stages than among salespersons at later stages.

Moreover, a salesperson in the later stages can be undervalued with a uniform allocation of organizational investment if the allocation meets the needs and demands of the salespersons in earlier stages. This is a situation that sales organizations must avoid creating because salespersons in the later stages are more profitable for sales organizations. The improper appreciation of salesperson value may bring a lower job satisfaction and subsequently have a negative impact on organizational commitment and turnover intentions. According to Parsons and Broadbridge (2006), feelings of being undervalued are indicative of several issues regarding communications within an organization. Furthermore, these feelings are a factor in job stress (Dar, Akmal, Naseem, and Khan 2011), which negatively affects job satisfaction (Behrman and Perreault 1984; Brown and Peterson 1994) and turnover intentions (Boles, Johnston, and Hair 1997).

Therefore, the objective of this simulation study is to find the stage-specific organizational development investment strategy that optimizes a firm’s total salesperson value (i.e., FSV), which subsequently maximizes return on development investment.

3.2. Three Types of Salesperson and Four Organizational Development Investment Strategies
A sales performance of salespeople changes as they progress through salesperson lifecycle stages. To find an optimum aggregated level of salesperson value for a firm given certain conditions, this study considers three different types of salespersons who generate a particular performance trend (Figure 2.1), each representing typical trend of salesperson performance since the time of hire. The three types of salespersons are defined as follows:

- Type 1: Salesperson with continuous increases in sales volume over his/her tenure; a continuous improver
- Type 2: Salesperson with an early spike and then marginal decreases in sales volume; an early starter
- Type 3: Salesperson with a slow start but later a spike in sales volume; a late starter

All the salesperson types have the same total cumulative new sales volume (i.e., the aggregated equal contributions to the firm) over a given simulation period \((T = 18\) months). However, their sales volumes in any given time are different and thus generate different contributions at that stage.
The simulation study also considers four different organizational development investment (ODI) allocation strategies. Each strategy denotes sales organizations’ development intervention decision and is different from one another in their allocation of a development investment to different salesperson lifecycle stages. In this simulation, three different stages within a single salesperson lifecycle are considered. The first stage, which is to train new salespersons to develop and enhance salesperson value, lasts for three months after the salespersons are hired. The second stage is to maintain and further enhance the value for the next 9 months. And, the last stage is to manage salesperson value for retention. Given the simulation period of 18 months, it lasts for the next 6 months. More details on the salesperson lifecycle stages can be found in the study 1. The following summarizes the four different ODI allocation strategies:
• Strategy 1: Even allocation strategy: continuous development programs and trainings are provided for salespeople throughout the stages.

• Strategy 2: Early allocation strategy: most ODI allocation is for the early stage (i.e., stage 1) in salesperson lifecycle.

• Strategy 3: Late allocation strategy: most ODI allocation is delayed for the later stage (i.e., stage 3) in salesperson lifecycle.

• Strategy 4: One-time allocation strategy: an initial, one-time ODI is made for the newly hired salespersons.

Figure 2.2 shows the four allocation strategies considering the different number of months in each stage. And, Table 2.1 shows the relative portion of ODI allocation for the different stages under a particular ODI allocation strategy. Each relative portion of ODI allocation is distributed evenly throughout the months within a particular stage. For example, one-third of the total ODI allocation under the even allocation strategy (i.e., strategy 1) is evenly spread for the three-month period in the first stage. And, another one-third of the total ODI allocation is evenly distributed for the nine-month period in the second stage. Lastly, the remaining one-third of the total ODI allocation is distributed evenly throughout the six-month period in the last stage. The same allocation method with different stage-specific weights applies to the other ODI strategies.
Table 2.1. Allocation of Organizational Development Investment (%) for Stages

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Stage 1</th>
<th>Stage 2</th>
<th>Stage 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy 1</td>
<td>33%</td>
<td>33%</td>
<td>33%</td>
<td>100%</td>
</tr>
<tr>
<td>Strategy 2</td>
<td>60%</td>
<td>30%</td>
<td>10%</td>
<td>100%</td>
</tr>
<tr>
<td>Strategy 3</td>
<td>10%</td>
<td>30%</td>
<td>60%</td>
<td>100%</td>
</tr>
<tr>
<td>Strategy 4</td>
<td>100%</td>
<td>0%</td>
<td>0%</td>
<td>100%</td>
</tr>
</tbody>
</table>

3.3. Optimization

This study uses ‘Solver’ in MS Excel with a sales closing performance specifically created for each scenario. Solver was selected because it is easy to use and familiar to professionals in workplaces, and it has also been a powerful tool for optimization (Fylstra, Lasdon, Watson, and Waren 1998; Hegazy and Ayed 1998; Moore and Weatherford 2001) since its introduction in February 1991. In Solver’s parameters setting, the objective is the firm salesperson value (FSV: The aggregated sum of the firm’s individual salespersons’ salesperson
value), the variable is the ODI expense (OE) that should be allocated to each stage, and the constraint is set to limit the amount of ODI out of firm profit. Therefore, *Solver* is designed to generate the OE that optimizes FSV. The objective function in this simulation is:

\[
\max \{F_{SV} = \sum_{s} \sum_{t=1}^{T} (OM_{st} - (ME_{st} + OE_{st} + Comm_{st})) \}
\]

\[
\text{s.t., } (ME + OE) \leq \% \text{firm profit}
\]

where, \( s = 1, 2, \ldots, S \) (the number of salespersons within the firm at time \( t \))

### 3.4. Assumptions

A list of assumptions was created for this simulation. As claimed earlier, marketing expenses (MEs) consist of advertisement and promotion for the product(s) being sold, and these are assumed to be:

- Advertisement expense = 2.5 percent of the amount of sales
- Promotion expense = 2.5 percent of the amount of sales

Product margin is assumed to be 20 percent of each sales volume. Discount rate \((i)\) for salesperson lifetime value (SLV) calculation is 10 percent. Salesperson hiring cost \((HC)\) is assumed to be $5,000. And commission rate is 1 percent on the amount of sales. A 25 percent of attrition rate \((A)\) is applied for all salespersons. The simulation period \((T)\) is eighteen (18) months, starting from the first month of sales. This study uses a finite timeline for the simulation, considering the short average tenure and high turnover rate (see Covert 2010). Table 2.2 summarizes the assumptions.

Table 2.2. Assumptions

<table>
<thead>
<tr>
<th>Assumptions</th>
<th>Descriptions</th>
<th>Remark</th>
</tr>
</thead>
<tbody>
<tr>
<td>5% Marketing Expense (ME)</td>
<td>Marketing expense = Advertisement expense + Sales promotion expense</td>
<td></td>
</tr>
<tr>
<td>--------------------------</td>
<td>---------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>5 percent on the amount of sales</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>20% Product Margin</th>
<th>20 percent on the amount of sales</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>10% Discount Rate (i)</th>
<th>For salesperson lifetime value (SLV) calculation</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>25% Attrition Rate (A)</th>
<th>75 percent of salespersons considered in the simulation study stay with their firm throughout their lifecycle.</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>1% Sales Commission</th>
<th>1 percent on the amount of sales</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>$5,000 Hiring Cost</th>
<th>This study assumes the initial value of all salesperson is the same.</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Equal Total Cumulative Sales Volume</th>
<th>Total sales value created from each type of sales performance trend in the simulation are the same across all the types.</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>18-month Simulation Period</th>
<th>This study uses a finite time frame considering the short tenure and high turnover rate (see Covert 2010)</th>
</tr>
</thead>
</table>

3.5. Organizational Development Investment Contribution to New Sales Closing
Another important consideration in the simulation study is organizational development investment contribution rate (ODI contribution rate), which is defined as a rate of contribution of training and development programs to new sales closings in this study. While the training contribution to sales closing performance has been a particular interest in sales force management (Attia et al. 2005; Krishnamoorthy, Misra, and Prasad 2005), it has not been clear how much of sales training can contribute to sales force productivity (Klein 1997; Krishnamoorthy et al. 2005; Martin and Collins 1991). Moreover, what has been overlooked in sales management literature is the use of training as a means to increase the productivity of the sales force (Krishnamoorthy et al. 2005).

Recently, however, discussions on measuring the effectiveness of training programs on salesperson productivity have been made (Attia et al. 2005; Krishnamoorthy et al. 2005; Lassk, Ingram, Kraus, and Mascio 2012). Among the discussions, the study by Krishnamoorthy et al. (2005) is noticeable because it empirically investigated the effect of sales training on sales force productivity and suggested the rate of contribution of sales training on sales force productivity in their study. In their study, the productivity from general training, which is defined as the proportion of selling to total training, is .566. They assumed a direct effect of sales training, which constitutes the bulk of general transferable skills training, on sales closing performance. The study also found that the obsolescence rate was .547. That is, 56.6 percent of any new sales closed by a particular salesperson are due to any given sales training offered for the salesperson by a firm, but the rate of the contribution decreases by 54.7 percent for the consecutives months. These findings are in line with the claim by the Richardson, a global sales training and performance improvement company, that 80% of what employees learn is forgotten within 30 days of standard training if the training isn’t reinforced or incorporated into daily work habits.
This study, however, claims that the training contribution ratio suggested by Krishnamoorthy et al.’s study (2005) does not consider the different amount of trainings offered for salespersons in different lifecycle stages. That is, the amount of trainings offered for salespersons must vary by each organizational development investment (ODI) allocation strategy. And it indicates that trainings contribution to sales varies. If training increases, its contribution to sales increases. Contribution to sales may not be the same as the full-scale training’s if only marginal trainings (such as role plays) are offered. In this study, therefore, the training contribution rate was adjusted to reflect the stage-specific ODI allocation strategies (see Table 2.1), which provide different amount of sales trainings and development programs for the salespersons in the different stages.

More specifically, with the strategy 1 (even ODI allocation strategy), new training contributions (i.e., ODI contribution) to the months in stage 1 are 18.9 percent (instead of 56.6 percent) on new sales closing. This is based on the consideration that each relative portion of ODI allocation is distributed evenly throughout the months within a particular stage. Considering the obsolescence rate of .547 (Krishnamoorthy et al. 2005), therefore, actual training contribution ratios on new sales closing (i.e., ODI contribution ratios) in the second and third month should be 29.2 percent and 34.8 percent, respectively. With the same level of ODI contribution rate (18.9 percent) for the months in stage 2 and considering the obsolescence rate, month-specific ODI contribution rate can be generated.

ODI contribution rate for strategy 2 must be different because of the different allocation (i.e., 60:30:10 for stage 1:stage 2:stage 3, respectively) for each stage. Initial contribution rate for month 1 is 34 percent, which should be adjusted for the subsequent months considering the different allocation ratio as well as the obsolescence rate. New training contribution rates applied
for the initial month in the strategy 3 and 4 are 5.7 percent and 56.6 percent, respectively. Table 2.3 shows the ODI contribution rates for stages used in the simulation study.

Table 2.3. Organizational Development Investment Contribution Rate for Stages by Tenure

<table>
<thead>
<tr>
<th>Tenure</th>
<th>Stage 1</th>
<th>Stage 2</th>
<th>Stage 3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Strategy 1</td>
<td>0.189</td>
<td>0.292</td>
<td>0.348</td>
</tr>
<tr>
<td>Strategy 2</td>
<td>0.340</td>
<td>0.525</td>
<td>0.627</td>
</tr>
<tr>
<td>Strategy 3</td>
<td>0.057</td>
<td>0.088</td>
<td>0.104</td>
</tr>
<tr>
<td>Strategy 4</td>
<td>0.566</td>
<td>0.566</td>
<td>0.566</td>
</tr>
</tbody>
</table>

3.6. Determination of Organizational Development Investment Expenses

This simulation study aims to ensure that organizational development intervention decisions address the questions of when to invest and how much to invest. To address these questions, the simulation study is set to identify the amount of organizational development investment expenses (OE) that optimizes firm salesperson value (FSV). To determine the amount of OE, this study uses Solver in MS Excel. The OE indicates the firm’s decision to employ developmental programs and trainings for its sales force. Because of the relative portion of interventions made for the particular stages, the OE is divided into three, stage-specific OEs, which are subsequently allocated to each month within the three lifecycle stages. In this study, the OE brings an immediate improvement of sales performance as predicted in Krishnamoorthy et al.’s study (2005) and supported by Román, Ruiz, and Munuera (2002). And, the effect of OE on sales performance is not sustainable for time as assumed in this study (i.e., the obsolescence rate).
By linking OE to sales performance, it is possible to find a level of investment that optimizes FSV. As the OE is included, the portion of ODI out of firm profit (OPA rate = ODI/Profit) increases, but margin (revenue) also grows because OE contributes to sales. And, there must exist a point where any ODI increase leads to a net decrease in SV. At the point, FSV will be optimized. An OPA rate that optimizes FSV must be different for each strategy. In the simulation, the Solver finds the amount of OE, which determines OPA rate that optimizes FSV for each strategy. Across the strategies, total firm profits remain the same as implied in the three types of sales closing performance setting (see Figure 2.1). And, each allocation strategy requires a different level of ODI contribution to sales at a particular stage (see Table 2.3). In addition, a direct, linear influence of each change in OPA rate on sales performance was assumed. These settings assist to determine the level of OPA rate that optimizes FSV and maximizes firm’s RODI and, more importantly, determines the stage-specific ODI strategies that are in line with the firm’s organizational imperatives.

4. Results and Findings

With the simulation, this study found that each ODI allocation strategy generated different SV and SLV. It also found that each ODI allocation strategy requires different amount of OE to optimize its total salesperson value (i.e., firm salesperson value or FSV).

4.1. Salesperson Value, Salesperson Lifetime Value, and Break-even Point

As shown on Table 2.4, strategy 1 (even investment strategy) generated the 18-month FSV of $184,033 with OE of $73,613. This study also calculated 3-month 12-month FSVs to examine how the FSV under a particular ODI allocation strategy changes over the simulation
period. This strategy generated 3-month FSV of ($10,817) and 12-month FSV of $63,715 for the strategy 1. With the strategy, type 3 (late starter) generated the highest SV of $61,715 for the 18-month period, while its 3-month and 12-month FSVs were the lowest among the different sales performance types (($4,294) and $8,424, respectively). BEP was achieved at month 6, 5, and 8 for each sales performance type (i.e., type 1, type 2, and type 3). The BEP under this strategy was longest among the ODI allocation strategies. SLV for the first 3-month period was negative at ($21,946).

Strategy 2 (early investment strategy) generated the highest 12-month FSV of $76,193. But, its 18-month total SV (FSV) is only $127,363, second lowest next to the strategy 4. However, its OE ($50,945) is less than those of strategy 1 and strategy 3. With the strategy, sales performance type 2 (early starter) generated the highest 12-month and 18-month total salesperson value (37,535 and $50,961, respectively). This strategy achieved the shorter BEP at month 4, 4, and 5 for each salesperson type (type 1, type 2, and type 3, respectively) when compared to strategy 1 and strategy 3. SLV for the first 3-month period is negative at ($19,048).

Strategy 3 (late allocation strategy) generated the highest 18-month FSV of $202,780. However, its 12-month FSV of $55,378 is lower than the 12-month FSV of strategy 1 ($63,715) and strategy 2 ($76,193). This strategy required the highest OE of $81,112. With the late ODI allocation strategy, sales performance type 3 (late starter) generated the highest 18-month total salesperson value of $75,065. But the type 3 achieved the longest BEP at month 7 among the three sales performance types. SLV from this strategy is also negative for the first 3-month period.

Lastly, strategy 4 generated the lowest 18-month FSV of $39,149. This strategy required OE of $15,660 to generated the FSV. Under this particular strategy, sales performance type 2
generated the highest FSV for the entire simulation period. All sales performance types achieved BEP at month 1. Three-month SLV with this strategy is also negative.

Table 2.4. Simulation Results

<table>
<thead>
<tr>
<th></th>
<th>Even Investment (Strategy 1)</th>
<th>Early Investment (Strategy 2)</th>
<th>Late Investment (Strategy 3)</th>
<th>One-time Investment (Strategy 4)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Type 1</td>
<td>Type 2</td>
<td>Type 3</td>
<td>Total</td>
</tr>
<tr>
<td>SV (3-month)</td>
<td>(3.834)</td>
<td>(2.689)</td>
<td>(4.294)</td>
<td>(10.171)</td>
</tr>
<tr>
<td>SLV (12-month)</td>
<td>1.269</td>
<td>5.336</td>
<td>3.424</td>
<td>9.232</td>
</tr>
<tr>
<td></td>
<td>28.8%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1 SV: Salesperson Value
2 SLV: Salesperson Lifetime Value
3 ODI: Organizational Development Investment
4 OPA Rate: ODI over firm Profit
5 BEP: Break-even Point
6 Type: Type 1 - Continuous Improver; Type 2 - Early Starter; Type 3 - Late Starter

4.2. Organizational Development Investment and Firm Salesperson Value

As the result shows, each ODI allocation strategy has its unique OPA rate (= ODI over firm profit) that determines the stage-specific ODI strategies to optimize its FSV and, in turn, maximizes the firm’s return on development investment. That is, as the simulation result shows, strategy 1 optimized its FSV with 28.8 percent of OPA rate, while strategy 2 achieved the optimization with 20.0 percent of OPA rate. Strategy 3 achieved FSV optimization with the OPA rate of 31.8 percent, which is highest among the ODI allocation strategies. Strategy 4 achieved the FSV optimization with 6.1 percent of OPA rate, which is lowest among the strategies. Table 2.5 shows the OPA rates of each ODI allocation strategy. The table also shows the changes in OPA rates in respective of its impact on FSV. In the table, this study notes that FSV increases as OPA rate increases and identifies an OPA rate that optimizes FSV when any increase in OPA rate leads to marginal decrease in FSV. Therefore, this result indicates that it is not always
recommendable for sales organizations to increase OPA rate for higher SV. It further indicates that each ODI allocation strategy has its unique OPA rate that determines the stage-specific ODI strategies that optimize the firm’s SV and, in turn, maximize the RODI.

Table 2.5. Changes in OPA Rate and Firm Salesperson Value

<table>
<thead>
<tr>
<th>Strategy</th>
<th>OPA rate</th>
<th>FSV&lt;sup&gt;1&lt;/sup&gt;</th>
<th>OPA rate</th>
<th>FSV</th>
<th>OPA rate</th>
<th>SV</th>
<th>OPA rate</th>
<th>FSV</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>17.3%</td>
<td>154.59</td>
<td>12.0%</td>
<td>106.99</td>
<td>19.1%</td>
<td>170.34</td>
<td>3.7%</td>
<td>32.89</td>
</tr>
<tr>
<td>Increase (b/a)</td>
<td>1.16</td>
<td>1.16</td>
<td>1.16</td>
<td>1.16</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>20.0%</td>
<td>166.78</td>
<td>13.8%</td>
<td>115.42</td>
<td>22.0%</td>
<td>183.77</td>
<td>4.3%</td>
<td>35.48</td>
</tr>
<tr>
<td>Increase (c/a)</td>
<td>1.45</td>
<td>1.45</td>
<td>1.45</td>
<td>1.45</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>25.0%</td>
<td>180.79</td>
<td>17.3%</td>
<td>125.12</td>
<td>27.5%</td>
<td>199.21</td>
<td>5.3%</td>
<td>38.46</td>
</tr>
<tr>
<td>Increase (d/a)</td>
<td>1.67</td>
<td>1.67</td>
<td>1.67</td>
<td>1.67</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>28.8%</td>
<td>184.03</td>
<td>20.0%</td>
<td>127.36</td>
<td>31.8%</td>
<td>202.78</td>
<td>6.1%</td>
<td>39.15</td>
</tr>
<tr>
<td>Increase (e/a)</td>
<td>1.73</td>
<td>1.73</td>
<td>1.73</td>
<td>1.73</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes:
ME<sup>1</sup>: Marketing expenses ( = Advertisement + Promotions)
Comm.<sup>2</sup>: Sales commission
OPA rate<sup>3</sup>: ODI / Firm profit
FSV<sup>4</sup>: Firm Salesperson Value

5. Discussions

As the results show, each ODI allocation strategy generated different FSVs. And each FSV was optimized with different OPA rate. In particular, strategy 3 (late ODI allocation strategy) generated the highest 18-month FSV. However, it required the highest OPA rate to optimize the FSV. Meantime, the result also shows that the strategy generated lower 12-month FSV when compared to strategy 1 and strategy 2. These indicate that this particular ODI allocation strategy may not be an optimal strategic choice for sales organizations because of the following reasons. First, unlike the other ODI allocation strategies, the strategy 3 allocates firm ODI mainly for
stage 3. This late ODI allocation led to the higher 18-month FSV because of the lower ODI expenses allocated in earlier stages, where salesperson contributions continue to increase due to the reasons other than the direct influence from organizations’ development programs and trainings (see Avolio et al. 2005). That is, under the particular ODI allocation strategy, a majority of sales contribution in the earlier lifecycle stages actually comes from the marketing expenses (e.g., product/service advertisement and sales promotions) and the commission, not from salesperson development programs and trainings. Second, considering the short tenure and high turnover rate of salespeople in North America (Covert 2010), strategy 3 may not be an optimal ODI allocation strategy for sales organizations. Lastly, strategy 3 realized BEP at month 5, 4, and 7 for each sales performance type, which is longer than the BEP of strategy 2.

Meantime, strategy 1 (even ODI allocation strategy) achieved the second highest 18-month FSV with lower OPA rate of 28.8 percent when compared to strategy 3. However, its OPA rate is still lower than strategy 2 and achieved BEP at month 6, 5, and 8 for each sales performance type, which is the longest among the different ODI allocation strategies. Therefore, this study suggests strategy 2 for sales organizations that intend to effectively manage the evolving salespersons’ needs and demands and to retain skilled and competent salespersons. The early allocation of ODI also contributed to the comparatively higher FSV during the early salesperson tenure. That is, for the first twelve months of tenure, strategy 2 generated the highest FSV among the allocation strategies with the lowest OPA rate of 20.0 percent.

In addition, strategy 2 achieved the fastest BEP among the strategies (see Table 2.4). In general, the BEP is the point at which gains equal losses and at which organizations start to realize a positive return on their investment. In this study, BEP indicates a positive RODI. Thus, organizational efforts to improve salesperson competency are positively linked to RODI and lead
to a faster realization of BEP if all other factors remain constant. Subsequently, achieving this BEP early in a salesperson’s lifecycle stages can assure more effective and efficient investment for salesperson development. In this regard, strategy 2 is a better alternative for sales organizations than strategy 1 and strategy 3 can be.

Strategy 4 generated the lowest FSV but required the least amount of OE that optimizes the FSV. The strategy achieved the shortest BEP. However, considering the objective of the simulation, this study does not suggest strategy 4 for sales organizations.

Therefore, from the simulation, this study finds that sales organizations can ensure their effective intervention decisions by employing the strategy 2 (early ODI allocation strategy) when the limited resources for organizational development investment and the current high turnover rate and the short tenure are considered. In other words, salesperson development programs and trainings can be most effectively leveraged for optimizing FSV and for realizing the faster BEP with high, initial investment in the salesperson lifecycle stages.

Lastly, the simulation results show that a salesperson defined as type 2 (the early starter) can be the most beneficial for sales organizations, in terms of SV and SLV generated from the early ODI allocation strategy (see Table 2.4). Under the strategy 2, the type 2 salesperson generated the highest SV for the entire simulation period. The type 2 salesperson is probably the ideal salesperson because the steep increase in sales performance within a few months after joining a firm (Figure 2.1) generates the comparatively higher SV. SLV of the type 2 salesperson became positive at month 7, which is fastest among the different types.

In sum, the findings suggest that organizational development interventions must focus on the earlier lifecycle stages to realize the faster BEP. Contrary to such an ODI allocation strategy, a strategy that delays development investment for later lifecycle stage has a potential to generate
higher FSV over a longer period but may not be an optimal choice for sales organizations that are required to manage sales force over the short salesperson tenure. These findings, therefore, answer to the questions that should be addressed in organizations’ interventions decision making: when to invest. This finding indicates that there is a significant difference between the development intervention decisions when they are considered for an effective allocation of limited resources within a sales organization. The finding further implies that organizational development interventions for salesperson development must be stage-specific to correctly address the different salesperson demand in order to help align their program and practices with the overall organizational goals.

6. Contributions and Limitations

6.1. Expected Contribution to Practitioners

For sales organizations, this study provides a strategic tool (i.e., quantitative basis) for measuring SV, which works to maximize the return on investment for sales force development and management. While the tool may warrant effective alignment of sales force development strategies with corporate goals, it also can be leveraged for sales force management. In particular, SV can be utilized for comparative assessments of productivity and competency of individual salespersons, as well as of sales teams/shops, sales offices, and/or branches. Measured on a quantitative basis, individual SVs within the same lifecycle stages are comparable performance indices. Such comparative assessments may lead to the rearrangement of the current sales force for better productivity in the current sales force or more efficient management of teams, sales offices, and/or branches.
The quantitative basis can also be used for another comparative assessment. For years, practitioners and academic researchers have claimed the effectiveness of salesperson compensation (Slater and Olson 2000; Zoltners, Sinha, and Lorimer 2006). In particular, Zoltners and his colleagues argued that salesperson compensation only focuses on the technical aspects of salesperson rewards and motivation. Moreover, salesperson compensation often applies to every salesperson within a firm uniformly, causing under- or over-evaluation of salesperson value, as claimed in this study. By allowing sales organizations to measure individual salespersons’ SV, the quantitative basis can thus be a comparative assessment tool that evaluates the effectiveness of the salesperson compensation system.

The quantitative basis can be a supporting tool for sales organizations’ hiring strategy. Its consideration of a hiring cost in the SLV calculation indicates that sales organizations can compare the expenses related to hiring, developing, and training new, unskilled salesperson with the higher expenses required to attract experienced, more productive salesperson from the labor market. In general, experienced salespersons’ contribution is higher than new salesperson’s. Also, their initial, steep increase in the contribution is expected. Assuming that organizational development investment is evenly allocated for all salespersons within a firm, it is, thus, expected that SV of the experienced salesperson must be higher than the one of the new salesperson. However, acquiring such experienced salespersons often bears a significant amount of hiring cost for sales organizations. The quantitative basis, therefore, provides an amount of hiring cost that is minimized to balance the SLVs between the experienced salespersons and the new salesperson.

6.2. Expected Contribution to Literature and Future Studies
This study claims that valuing the salesperson is, in fact, part of the salesperson development process, for which organizational development interventions should be conducted and which should, therefore, align with organizational objectives. As claimed by Zoltners et al. (2006), however, no serious attention has been paid to individual valuation and the organizational factors in sales force development and management. In particular, valuing individual salespersons, in conjunction with organizational development intervention strategies, merits scholarly attention, so that it can be further developed and enhanced. This is particularly important because it contributes to the efforts to bridge the gap created as development strategies and evaluations are developed separately (see Attia et al. 2005).

Early studies (e.g., Attia et al. 2005; Leach et al. 2005; MacKenzie et al. 1993) claimed that sales organizations often find the task of identifying SV challenging and face difficulties in practicing development interventions for their salespeople because salespeople evolve through their different career stages. Therefore, as an additional contribution to literature, the suggested quantitative basis can mitigate the challenges because it employs the stage-specific development intervention strategies for the resolution of the longitudinal nature of the sales training that is being evaluated.

This framework also contributes to the field because it measures SV by reflecting the value of training and development interventions with easily quantifiable and accessible data found at workplaces. Moreover, the SV and SLV serve as heuristic alternatives to the earlier debates regarding the methodology for evaluating organizational employee development interventions (Boles, Donthu, and Lothia 1995; Dubinsky 1981; Geber 1995; Honeycutt et al. 2001; Phillips 1998).
The simulation study found that organizational interventions must focus on the earlier stages to achieve the higher SV and to realize the faster break-even point. But, the study also showed that the organizational interventions must be continuous throughout the lifecycle stages to sustain salesperson job competency and to retain highly skilled salespersons. These findings are based on the simulation that used the sales performance types and the allocation strategies specifically developed for identifying the most effective organizational development interventions. Therefore, it also invites a scholastic attention to further investigate empirically.

6.3. Limitations

There are still many limitations in this study. Although the quantitative basis provides important implications for strategic decision-making on organizational development interventions, it also has its own limitations in terms of its application to firm practices.

The simulation study considered the changes in OPA rate. In the study, the inclusion of OE is assumed to have a direct, linear relationship with the correspondent sales closing performance. This assumption is in line with the earlier study (e.g., Krishnamoorthy et al. 2005). While the linkage between the OE and the sales closing performance makes it possible to find out an optimal OPA rate that optimizes firm SV and is conceptually supported (Krishnamoorthy et al. 2005; Román et al. 2002), the underlying assumption is short of empirical supports and needs to be validated.

This study adjusted the training contribution rate suggested by Krishnamoorthy et al. (2005) to reflect the different amount of allocations to the stages. However, the adjustment is short of an empirical support as well even though it is based on the claim that the extent of contribution varies by the amount of training provided for salespersons because of the positive
relationship between investment and contribution (see Eisenberger, Fasolo, and Davis-LaMastro 1990; Jacobs and Washington 2003; Rhoades and Eisenberger 2002; Wanye, Shore, and Liden 1997).

From the simulation results, this study finds that the optimal ODI allocation strategy also invites an empirical support. While the results provide a support for the allocation strategy, the lower firm SV generated from the allocation strategy (i.e., the early allocation strategy) further indicates that a continuous intervention effort also needs to be provided to maximize firm SV. This may limit a practical application of the ODI allocation strategy for sales organizations’ development intervention strategy.

Another generalization issue comes from the different products or services offered in industries. The simulation is an exercise based on the different sales performance types and the ODI allocation strategies created for the simulation. Thus, measuring SV for salespersons who work with different products or services in different industries may provide different interaction interpretations than the ones provided in this study.

The assumptions employed in the quantitative basis also set a limitation for its applicability to real business practices. First, the acquisition expense was assumed to be fixed for all salespeople hired. It is, however, not necessarily true that hiring salespeople bears the same cost for the hiring firms. While the inclusion of hiring cost can be leveraged for sales organizations’ hiring strategy, a lack of consideration on the difference in hiring expenses may generate incorrect SLV and fail to contribute to the hiring strategy. Second, this study assumed one percent of commission rate on the amount of sales. It indicates that no variation in compensation scheme (e.g., fixed or variable rewarding scheme) is considered. Third, marketing expenses were determined based on the amount of sales to calculate SV and SLV. However,
firms often determine the level of marketing expenses irrespective of the future sales, although they are eventually evaluated in line with the revenue generated from the future sales. Therefore, the fixed allocation of marketing expenses on the amount of sales may not reflect the real world practices. Lastly, this study assumed 25 percent of salesperson attrition rate. Though it is close to the current attrition rate of 30 to 40 percent (Covert 2010), the attrition rate may not be realistically lower or even higher when compared with the actual attrition rates in various industries. In addition, the attrition rate is a firm level attrition rate. Accordingly, this study does not consider individual level attrition rates which vary by individual salespersons. Therefore, the assumption limits the study’s capability to generalize the findings. Future research needs to ease the assumption by estimating individual salespersons’ attrition rate to find better generalization of the current study.

Another important assumption made for the simulation study is that there exist three stages in salesperson’s lifecycle and that different number of months resides within each strategy. Though the assumption is set based on the high turnover rate and short tenure of current salespeople in North America (Covert 2010), it still requires a conceptual foundation that supports the particular number of stages and months.

7. Conclusion

As they evolve through their lifecycle stages within an organization, salespeople are exposed to different environments from which they may derive feelings of self-efficacy, self-esteem, learning goal orientation, learning orientation, job involvement, and success orientation; these factors are experienced differently in each salesperson’s successful career path within his or her
organization. For each stage in the salesperson’s lifecycle, organizational support and controls, coworker support, leader–member exchanges, feedback, and access to mentoring or coaching may also play a significant and distinct role in constructing salespeople’s positive attitudes. These factors are also likely to modulate their intentions to perform high-quality sales work and their subsequent development of organizational commitment, the latter of which has been considered to be a significant indicator of job performance, as well as of the propensity to leave a given organization (Rhoades and Eisenberger 2002).

The simulation study finds that stage-specific interventions will ensure better alignment of the organizational strategies for effective, successful sales force development. Sales organizations strive to generate appropriate returns on their developmental investments because they want the investment to improve salesperson competency; this outcome is positively linked to the return on organizational development investment and leads to a faster realization of the break-even point and a higher RODI. This study shows that sales organizations’ effort to optimize their development interventions early in a salesperson’s lifecycle stages can promote more effective and efficient investments in salesperson development.

In summary, effective and efficient salesperson value management to optimize ODI allocation is feasible when considering the salesperson lifecycle. This can only be achieved when sales organizations manage SV for individual salespersons by estimating their investment returns for each salesperson at different stages. This article provides a useful tool for measuring SV that will be able to help organizations correctly maximize salespersons’ value and find ways to improve returns on development investments and achieve a shorter break-even point.
REFERENCES


C. Study 3: Empirical Validation of the Quantitative Basis

Abstract

This study empirically tested the quantitative basis developed in the study two with an actual salesperson performance data from one of global consumer financing company. Two different types of sales closing performance of salespeople in the firm were analyzed. Salesperson value and salesperson lifetime value of those salespersons were measured so that this study ensures if sales organizations may utilize the quantitative basis and the salesperson lifecycle management framework to effectively develop and manage their sales force. This study finds that the firm’s current development investment strategy may not be an optimal strategy for the firm to develop salespersons. This study also finds that the firm’s limited organizational development investment can be optimized with a strategy that focuses more on early lifecycle stage. These findings indicate that the current study confirms the findings from the simulation study and further supports the claim that sales organizations can utilize the quantitative basis for effective and productive organizational development intervention strategies.
1. Introduction

There are 14 million salespeople in North America, and the average annual turnover is 30 to 40 per cent, with the average tenure of a sales rep lasting only nine months (Covert 2010). Managing such a short timeframe has created challenges and raised important questions about how people systems fit into overall corporate strategy. Organizations must therefore strive to remain committed to sound tactics to align their people strategies with their organizational imperatives.

To help businesses ensure workforce effectiveness and alignment with corporate goals in employee relation management practices, HR consultants have introduced employee lifecycle management (ELM), which offers benefits that align the workforce with the organization’s business needs, leading to heightened employee engagement and increased staff retention (Southcombe 2011). Direct application of ELM for sales force management, however, seems to be unfeasible because different business strategies require different arrangements of organizational practices for optimal performance (Slater and Olson 2000).

In marketing literature, Jolson’s (1974) career cycle model suggests that a salesperson’s career moves through the stages of preparation, development, maturity, and decline. Based on earlier research in sociology, clinical psychology, and vocational psychology, Cron (1984) presented a four career-stage model for salesperson management that includes the stages of exploration, establishment, maintenance, and disengagement. Both models present important career scenarios that salespeople face in their occupational lives. However, neither model provides the practical contributions for sales organizations, which should perform interventions to develop and maintain highly committed and productive salespeople within their organizations.
Therefore, while the earlier models deserve academic attention, their appreciation of salesperson career stages does not meet current sales organizations’ needs in terms of making critical and practical development intervention decisions. These models thus fail to address these organizations’ concerns regarding a successful alignment with corporate goals.

This absence of strategic alignment in sales force management becomes more evident when considering the claim that firms lack an understanding of how best to measure and evaluate their training efforts (Attia, Honeycutt, and Leach 2005; Erffmeyer, Russ, and Hair 1991; Honeycutt, Howe, and Ingram 1993; Lupton, Weiss, and Peterson 1999) in developing a sales force. Moreover, researchers also claim that the most critical issue facing sales force development efforts is how to effectively assess sales training programs (Leach, Liu, and Johnston 2005). These training objectives should be aligned with organizational goals (Attia, Honeycutt, and Leach 2005), while recognizing that previous salesperson development efforts are not always formulated by sales organizations (Dubinsky and Hansen 1981; Honeycutt, Howe, and Ingram 1993).

Therefore, in the first study, this paper presents the salesperson lifecycle management (SLM) model, by which sales organizations categorize their current sales force into different lifecycle stages based on salesperson value (SV). The SLM model is developed based on salesperson value perception (SVP), which in this study is defined as salespersons’ or sales organizations’ recognition or appreciation of an individual salesperson’s worth within an organization. This study posits that SV increases as salespersons progress along the lifecycle but faces a marginal decrease, potentially causing salesperson disengagement, later in the salesperson lifecycle. Within the SLM model, this study identifies three stages and describes the
characteristics of each stage to distinguish one from another. The distinction leads to different provisions of organizational development interventions for salespeople at a specific stage.

As noted above, the stage-specific organizational development interventions should be proven valid for recognizing their proper alignment of people strategies to organizational goals. To this end, the second study developed the quantitative basis to measure SV and salesperson lifetime value (SLV). Though the strategic tool provides important implications of strategic decision-making on organizational development interventions, it also has its own limitation in terms of its application to firm practices. Empirical support should be followed, as it enhances the framework for better application.

In this regard, this study, using actual sales closing performance data and development investment strategy from one of the global consumer financing company, empirically tests the applicability of the strategic tools in real working environment. The data includes sales closing performance of 882 salespeople currently working at the firm and the firm’s development investment expenses and training programs. SV and SLV of those salespersons are measured so that sales organizations as well as the firm may utilize the strategic tools to effectively develop and manage their sales force for maximizing sales force contribution to the organizations.

The simulation study (study 2) found that an early starter is the ideal salesperson when considering all the organizational development investment strategies. Another finding from the study, more importantly, suggested that organizational development interventions must focus on the earlier salesperson lifecycle stages to realize higher SV and faster break-even point (BEP) and also need to be continued throughout the lifecycle stages to sustain salesperson job competency. Thus, the objective of this study is to see if the same finding can be attained with
the actual sales performance data and the firm’s current development and training programs for its sales force.

The findings from the current study show that the firm’s current development intervention strategy may not be an optimal strategy that ensures a successful strategic alignment of its people strategy to organizational imperatives. Based on the findings, this study suggests that the firm can most effectively make development interventions with the early organizational development investment (ODI) allocation strategy and can ensure a sustainable firm SV growth throughout salesperson lifecycle stages with even ODI allocation strategy. The findings also indicate that sales organizations’ identification of salesperson lifecycle stages based on SV and their stage-specific intervention strategy can warrant the effectiveness of organizational development investment for firm SV maximization. Therefore, this study provides an empirical support for the quantitative basis and for the findings from the simulation study. Managerial and research implications are provided.

2. Salesperson Lifecycle Management Model and Quantitative Basis

2.1. Managing the Evolving Salesperson and Organizational Development Interventions

Salespeople evolve through stages (Cron 1984; Cron, Dubinsky, and Michaels 1988; Cron and Slocum 1986; Jolson 1974; Slocum and Cron 1985). As salespeople evolve, it is essential for firms to continually adapt their management strategies. In employee relation management practices, human resources (HR) consultants have introduced employee lifecycle management (ELM) to help businesses ensure workforce effectiveness and alignment with corporate goals. Smither, London, and Reilly (2005) proposes two important aspects of ELM.
First, employees at every phase of the lifecycle believe that the work they do is important and meaningful. Second, employers should be aware that employees who care about the firms and their careers will deliver better results and will be more committed to their careers within the company.

Direct acceptance of ELM in sales force management, however, should be discouraged because different business strategies require different arrangements of organizational practices for optimal performance (Slater and Olson 2000). Moreover, salespeople serve a boundary-spanning role (Belasco 1966; Dubinsky, Howell, Ingram, and Bellenger 1986) and are different from other "internal" employees (Singh 1998). As a boundary spanner, salespeople are influenced by two parties: the customers and the employer. The role of salespeople is thus determined by social interaction with customers, and this role changes according to inconsistent influences from such interactions. This boundary-spanning role of the salesperson within a sales organization creates another challenge concerning the direct application of ELM for managing the sales force.

In marketing literature, Jolson (1974) was the first scholar to discuss an age/job tenure and performance relationship based on career development (Cron 1984). His study proposes the salesperson career cycle (SCC) model, in which a salesperson's performance goes through four stages (i.e., preparation, development, maturity, and decline), thereby producing a performance function resembling the familiar product life cycle curve. However, despite some empirical support for the relationship (Kirchener, McElwain, and Dunnette 1960), the SCC framework lacks the detail necessary to make it useful for most situations (Jolson 1974) and fails to consider variance in performance (Cron 1984). Moreover, the SCC framework’s longer, if not infinite,
time horizon does not reflect the high turnover rate and the short tenure of salespersons in current sales organizations in a practical manner.

Based on earlier research in sociology, clinical psychology, and vocational psychology, Cron (1984) presented a four career-stage model for salesperson management that includes the stages of exploration, establishment, maintenance, and disengagement. His study identifies a series of career stage characteristics and discusses career objectives, developmental tasks, personal challenges, and psychosocial needs for each career stage. As noted in the study, however, the practicability of the suggested, broadened salesperson perspective is questionable (see Cron 1984, page 50). Another study, basing on Cron’s (1984) propositions and extending to recent empirical results, examined the influence of career stage on components of salespeople’s motivation–valence for rewards, expectancy, and instrumentality–and presented a career stage framework (Cron, Dubinsky, and Michaels 1988). However, the study found that none of the hypotheses received full empirical support and thus argued for additional studies regarding various subjects, including the investigation of the moderating influence of career stage on salesperson performance (see Cron et al. 1988, page 88). The research methods were described in Cron’s study (1984) as well as in earlier studies (e.g., Walker, Churchill, and Ford 1977; Weitz 1981).

While these studies present important career factors that salespeople face in their occupational lives and suggest that salespeople’s work perceptions change over time along with their career stage, less research has considered how managers can contend with the changing job attitudes of salespeople throughout their lifecycle stages and how the managers can better utilize the evolving skills and abilities of salespeople at different stages (Flaherty and Pappas 2002). In response to this research dearth, a recent study presents a conceptual organizational development
intervention model designed to allow sales organizations to determine: (1) the training needs for salespersons; (2) the training impact on trainees; and (3) the training impact on the firm (Attia, Honeycutt, and Leach 2005, page 253). While this model can provide some level of practicality for sales organizations, it nonetheless faces challenges in terms of research design and measurement concerns. One of these challenges is the autonomy of salespeople, as salespeople have significant latitude and regular information for how to contend with the stressful sales situations they may encounter (Singh 1998). This makes evaluating their behaviors in the field difficult, as the extraneous influences (e.g., changing economics conditions, marketing programs, and competitive actions) on the final outcomes must be evaluated for calculating the bottom-line tangible measures and actual dollar contributions (Attia, Honeycutt, and Leach 2005). Therefore, while the earlier models deserve academic attention, their appreciation of salesperson career stages does not meet sales organizations’ critical needs to make effective and practical development intervention decisions.

Therefore, to help the organizations make decisions that successfully align with their corporate goals, the study 1 presented the SLM model, which enables firms to improve their sales force management by dividing the current sales force into lifecycle stages based on SV. This categorization and consequent stage-specific view helps sales organizations properly approach the evolving salespersons’ unique expectations and demands (Cron 1984; Dubinsky and Skinner 2002) and effectively evaluate the effectiveness of organizational interventions by identifying salesperson value at each stage, at which the different development interventions should be made.

2.2. Measuring Salesperson Value and Evaluating Development Interventions
As salespeople evolve, organizations are required to continuously enhance their methods for managing such personnel. At the same time, salespersons’ needs and demands differ by stages (Cron and Slocum 1986), making the alignment of people strategies and organizational imperatives challenging. This is especially true when people strategies in sales organizations involve managing sales forces through compensation. Sales organizations believe that compensation systems can motivate the sales staff or entice them to switch to new employers (Slater and Olson 2000). Often, however, compensation schemes do not consider the evolving nature of salespersons’ growth and fail to be aligned with organizational objectives, as they only focus on technical aspects of rewards and motivation (Zoltners, Sinha, and Lorimer 2006). Therefore, this study claims that for effective sales force management, organizational interventions for salesperson development must reflect salespersons’ evolving needs and demands.

Interventions (e.g., trainings or other development/learning programs) should be proven valid for promoting the proper alignment of people strategies with organizational goals. As discussed in an earlier study, however, evaluations of such development interventions that are in line with firm-level objectives are difficult to attain (Attia, Honeycutt, and Leach 2005; Honeycutt and Stevenson 1989; Kirkpatrick 1994; Lupton, Weiss, and Peterson 1999), mainly because of measurement difficulties (Warr, Allan, and Birdi 1999). Moreover, the ROI approach, a prevalent and well-accepted method in human resource and development literature, has been vigorously questioned regarding its efficacy in human development investment for decades (e.g., Flamholtz, Bullen, and Hua 2002; Schultz 1961).

Despite all these challenges, there have been advances in research on the evaluation of employee development interventions. Most recently, returns on development interventions
(RODI) analysis (Avolio, Avey, and Quisenberry 2010) for organizational leadership development interventions were presented in management literature, leveraging the earlier discussion to evaluate the value of such training interventions (Geber 1995; Honeycutt, Karande, Attia, and Maurer 2001; Philips 1998) and the Cascio’s ROI methodology (1989). This allows for an evaluation of leadership development intervention effectiveness over multiple timepoints rather than at a fixed beginning and end. Marketing literature also has gone through similar discussions from economic (Dubinsky 1981), utility (Honeycutt et al. 2001), and data development analysis (Boles, Donthu, and Lothia 1995) perspectives.

Central to these discussions is the methodology for evaluating organizational employee development interventions. The main purpose of such an evaluation is to find the value of training and development interventions. More importantly, these discussions have stimulated further interest and research in the area. However, as noted in an earlier study, the stimulation has faced challenges due to such issues as data access and the longitudinal nature of the sales training under evaluation (Attia, Honeycutt, and Leach 2005).

Therefore, to advance the knowledge accumulated in the related literature and to provide a heuristic alternative to the identified challenges, the study presented a quantitative basis by which to assess the value of various training and development interventions. The suggested framework can mitigate the challenges identified in the earlier study (see Attia, Honeycutt, and Leach 2005) because it employs the stage-specific development intervention strategy proposed in the SLM model for the resolution of the longitudinal nature of the sales training being evaluated. The framework is also contributory because it measures salesperson value by reflecting the value of training and development interventions, using easily quantifiable and accessible data at workplaces.
The current study empirically tests the quantitative basis developed in the study 2 with an actual salesperson performance data from one of global consumer financing company. Two different types of sales closing performance of salespeople in the firm who were hired in 2009 and 2010 are analyzed. This study measures SV and SLV of those salespersons to ensure if sales organizations may utilize the quantitative basis and the salesperson lifecycle management framework to effectively develop and manage their sales force for maximizing their contribution to the organizations.

3. Data

3.1. Sales Closing Performance

Actual monthly sales closing performance data that show three-year performance trend from 2009 to 2011 was acquired from one of the leading global consumer financing companies. The sales performance is related to new sales closing on personal lending product (unsecured loan for individual customers). The data also include demographic information (age, sex, and education) and join dates as well as the prior work experience in sales of the salespeople in the firm.

Out of 882 salespersons active in the firm as of December 2011, this study used sales closing performance of 135 salespersons who joined the firm between 2009 and 2010. This is to ensure that a full 18-month sales closing performance is used for analysis and, thus, to be in line with the time frame employed for the simulation study.

Often in practice, business strategy changes and can be different year after year, leading to new sales and marketing strategies. Or, economic environment and competition may not be
the same for different years. Subsequently, sales closing performance can be affected. As figure 3.1 shows, there is a difference in average sales closing performance between 2009 and 2010 batches. Thus, two separate analyses with the two batches are necessary.

In addition, the average sales closing performance of salespersons who joined in 2009 (2009 Batch) is similar to the type 1 (i.e., the continuous improver) created for the simulation study in study 2. And, performance of salespersons who joined in 2010 (2010 Batch) is a close representation of the type 2 (i.e., the early starter). As noted in the simulation study, the difference in sales closing performances between the two batches indicates that firm SVs and SLVs for the two different batches may not be the same even under the same development investment strategy. This also invites a separate analysis. The following describes the details of the two different types of sales closing performance used for the current study.
3.1.1. Sales Performance Data for 2009 Batch

The first data for analysis includes the 18-month sales performance data of 66 currently active (as of December 2011) salespersons who joined the firm in 2009. Out of them, 54 (or 82 percent) are males. Average age is 33. In average, they have average 4 months of a prior sales experience, ranging 0 to 48 months, at the time of hiring. The correlation between the prior selling experience and the sales performance during the period is .172. There are 14 salespeople (or 21 percent) who have in average 13 months of a prior selling experience. They generated around $15,000 in the first month of sales.

As shown on figure 3.1, sales performance of 2009 batch was significantly improved in the first several months. Average sales closing at month 4 increased by 431 percent when it’s compared with the first month of sales. The sales closing performance of the 2009 batch increased continuously even 1-year after they joined the firm. At month 18, the amount of sales closing is 8 times more than the sales closing at month 1 and almost doubled when compared with the sales closing at month 4 and similar to the closing performance at month 12. See Table 3.1 for the changes in average sales closing performance of 2009 batch.

Table 3.1. Changes in Average Sales Closing – 2009 Batch

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>Month 1</th>
<th>Month 4</th>
<th>Month 13</th>
<th>Month 18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avg. Sales (U$’000)</td>
<td></td>
<td>9</td>
<td>40</td>
<td>82</td>
<td>77</td>
</tr>
<tr>
<td>Change vs. Month 1</td>
<td></td>
<td></td>
<td></td>
<td>889%</td>
<td>835%</td>
</tr>
<tr>
<td>Change vs. Month 4</td>
<td></td>
<td>431%</td>
<td></td>
<td>206%</td>
<td>194%</td>
</tr>
</tbody>
</table>
3.1.2. Sales Performance Data for 2010 Batch

Additional sales performance data of 69 salespersons who joined the firm in 2010 and still active in selling as of December 2011 was used for analysis. Out of them 54 (or 82 percent) are males. Average age is 33. In average, they have 4.4 months of a prior sales experience, ranging 0 to 48 months, at the time of hiring. The correlation between the prior selling experience and the sales performance during the period is .030, which is significantly lower than 2009 batch. There are 17 salespersons (or 25 percent) who have an average 12-month of prior selling experience. They generated around $26,000 sales closing in the first month.

When compared to 2009 batch, it is of particular interest that the amount of sales closing in the first month of tenure of this 2010 batch is significantly higher than the 2009 batch. This is probably because the average amount of sales closing by the experienced salespersons in 2010 batch is 1.7 times higher than the average amount of sales closing by the experienced salespersons in 2009 batch.

Like 2009 batch, sales performance was significantly improved in the first several months. Average sales closing at month 4 increased by 261 percent when it’s compared with the first month of sales. However, when compared to the performance at month 4, sales closing at month 12 increased only by 127 percent, indicating a marginal increase during the period. In particular, this increase is significantly lower when compared with the increase in 2009 batch for the same period. A sales closing at month 18 is 102 percent of the sales closing at month 13 or 127 percent of the sales closing at month 4. See Table 3.2 for the changes in average sales closing performance of 2010 batch.
### Table 3.2. Changes in Average Sales Closing – 2010 Batch

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>Month 1</th>
<th>Month 4</th>
<th>Month 13</th>
<th>Month 18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avg. Sales (U$’000)</td>
<td>20</td>
<td>53</td>
<td>66</td>
<td>67</td>
<td></td>
</tr>
<tr>
<td>Change vs. Month 1</td>
<td></td>
<td>261%</td>
<td>326%</td>
<td>332%</td>
<td></td>
</tr>
<tr>
<td>Change vs. Month 4</td>
<td></td>
<td></td>
<td>125%</td>
<td>127%</td>
<td>102%</td>
</tr>
<tr>
<td>Change vs. Month 12</td>
<td></td>
<td></td>
<td></td>
<td>102%</td>
<td></td>
</tr>
</tbody>
</table>

### 3.2. Trainings and Development Investment Expenses

#### 3.2.1. Types of Training

Basically, four different types of trainings have been offered for the salespersons in the firm: two of them are external trainings enforced by government and the rest of the trainings are internal trainings offered by the firm. One of the external trainings is for newly hired salespersons, which is offered by government (the credit finance association or CREFIA) and requires the new salespersons’ mandatory attendance to keep their qualification. Another external, mandatory training is called term training, which has been also enforced by CREFIA and requires all currently active salespersons to attend one year after they are hired. In addition to the two external trainings, the firm also provides internal, company training for the new hires. The internal, company training is offered twice a month for all of the new hires and includes trainings on compliance, products, and documentation and a role-play. The firm uses internal training instructors for the internal trainings. Individual sales offices also provide trainings for the new hires as well as for existing salespersons. Such field trainings include on-the-job training (OJT) and sales office training. In particular, the OJT utilizes a “buddy system,” in which
experienced salespersons become a mentor of the new hires for consulting skills, documentation, and sales process and sales closing procedure. During the sales office training, sales related success stories are shared among salespersons. Table 3.3 summarizes the types of trainings offered to the sales force in the firm.

Table 3.3. Types of Trainings

<table>
<thead>
<tr>
<th>Training</th>
<th>Types</th>
<th>Offered Programs</th>
<th>Offered by</th>
<th>For</th>
<th>Cost/salespersons</th>
<th>Time of offering / Frequency</th>
<th>Remark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registration Training</td>
<td>External</td>
<td>Laws, rules and regulations</td>
<td>CREFIA(1)</td>
<td>New Salespersons</td>
<td>$20</td>
<td>Upon hiring</td>
<td>Mandatory Training; Cost paid by salespersons</td>
</tr>
<tr>
<td>Term Training</td>
<td>External</td>
<td>Laws, rules and regulations</td>
<td>CREFIA</td>
<td>All salespersons</td>
<td>$15</td>
<td>Annual</td>
<td>Mandatory Training; Cost paid by salespersons</td>
</tr>
<tr>
<td>Company Training</td>
<td>Internal</td>
<td>Compliance, Basic product training, Documentation, and Role-play</td>
<td>Company instructors</td>
<td>New Salespersons</td>
<td>Salesperson's Headcount allocation + other expenses</td>
<td>Upon hiring</td>
<td>Other expenses such as transportation, lodging, and foods/beverages to be included</td>
</tr>
<tr>
<td>Field Training 1: New Hire OJT Training</td>
<td>Internal</td>
<td>Communication skill, Documentation, and Process &amp; Procedures</td>
<td>Senior salespersons at sales offices</td>
<td>New Salespersons</td>
<td>None</td>
<td>Upon hiring</td>
<td>Utilization of buddy system</td>
</tr>
<tr>
<td>Field Training 2: Sales Office Training</td>
<td>Internal</td>
<td>Sales related success-story sharing</td>
<td>Sales managers at sales offices</td>
<td>All salespersons</td>
<td>None</td>
<td>Monthly</td>
<td>Other expenses such as transportation, lodging, and foods/beverages to be included</td>
</tr>
</tbody>
</table>

1) CREFIA: The Credit Finance Association of Korea

3.2.2. Development Investment Expenses and Marketing Expenses

Individual salespersons need to pay the cost of the registration for the initial mandatory training and the term trainings. The trainings cost $50 and $20 per salesperson, respectively. Thus, the mandatory trainings are not to be considered the firm’s development investment because no company subsidy for the training cost is provided.

The firm uses its internal instructors for the company trainings. Thus, this study allocated the internal instructors’ salary based on their time spent in the trainings for development investment expenses. In the allocation, this study considered $40,000 of annual salary of the internal instructors for one-time development investment expense and $80,000 of average annual salary of head of sales and sales managers for on-going development investment expense. There
are four internal instructors who spend 50% of their time for the company training that is offered twice a month for the entire new hires. Also, this study considered that one senior manager (either head of sales or sales manager) contributes 10% of his/her time for the monthly sales and sales office trainings for the on-going internal trainings. Therefore, the allocations add up to $13,666 for the first month and $333 for the consecutive months thereafter.

Other training expenses such as training materials, transportation, lodging and other related expenses were also considered. They are one-time expenses specifically allocated in the first month of the training and add up to $500 per salesperson. Development investment expenses also contain sales support expenses (i.e., marketing expenses), which include monthly sales promotions of $100,000 and monthly sales support materials of $50, which is assigned to each individual salesperson.

Product margin is 15 percent on the amount of sales closing. Discount rate is 10 percent. In general, no hiring cost is necessary to hire salespersons in that particular industry. Turnover rate is 25 percent, which is close to the industry average. Sales commission is 3 percent on the amount of sales closing. Table 3.4 summarizes the expenses and the other considerations for the analysis.

Table 3.4. Summary of Development Investment and Marketing Expenses
4. Data Analysis

Based on the firm’s actual sales closing performance and the actual allocation of development investment expenses, the amounts of organizational development investment (ODI) contribution to sales and ODI expense (OE) of the firm were calculated. And, SV and SLV of the firm were calculated using the quantitative basis developed in the study 2. See study 2 for the definitions of SV and SLV and the details of the quantitative basis to calculate SV and SLV.

Next, this study calculated SVs and SLVs for the four different ODI allocation strategies (i.e., even allocation, early allocation, late allocation, and one-time initial allocation) and compared with the firm’s SV and the SLV from the actual data. In the calculation, this study first identified the portion of the marketing expenses (ME) and commission (CM) out of firm profit without adding any OE. Firm profit, as defined in the preceding study, is a function of sales
revenue (or margin), firm marketing expenses, firm expenses including ODI, and firm commission. Firm marketing expenses were given and fixed for each month (see Table 3.4). Therefore, this study used the same portion of firm marketing expenses out of the amount of sales closing for calculating ME (i.e., ME = (firm marketing expenses / sales closing amount) x the amount of ODI contribution). CM was calculated with 3 percent commission rate on the amount of ODI contribution.

Next step was to find OE that optimizes firms’ limited ODI allocation for firm SV. As done in the study 2, Solver was used to determine the amount of OE. The same parameter setting in the simulation study was used. That is, in Solver’s parameters setting, the objective is the firm SV (The aggregated sum of the firm’s individual salespersons’ salesperson value), the variable is the OE that should be allocated to each stage, and the constraint is set to limit the amount of ODI out of firm profit. (i.e., OPA rate) Therefore, Solver is designed to generate an OE allocation for each stage that optimizes firm SV. The link between OE and sales closing performance was also established, as done in the simulation study. This study also used the training contribution ratio suggested in the study by Krishnamoorthy, Misra, and Prasad (2005) and adjusted it to reflect the different allocation strategies as well as the firm’s development intervention strategy. By linking OE to sales performance, it is possible to find a level of investment that optimizes firm SV. That is, as the OE is included, the OPA rate increases, but margin (revenue) also grows because OE contributes to sales. And, there must exist a point where any ODI increase leads to a net decrease in SV. At the point, firm SV will be optimized.

5. Results and Findings
The results found a stage-specific ODI strategy that ensures an effective allocation of limited ODI for the optimization of firm SV. Firm SV and SLV calculated with the actual data were compared with the firm SVs and SLVs with the different ODI allocation strategies.

5.1. Result for 2009 Batch

Data of 18-month sales closing performance of the salespersons who joined the firm in 2009 was used for analysis. These salespersons had been offered with the same internal and external trainings from the beginning and had also been exposed to the same selling environment.

From the data, total amount of the sales closing for the 18-month period is $66,989,600 for the margin of $10,048,440, which contributes to firm profit of $5,501,223. As shown on Table 3.5, Firm SV (i.e., the aggregated SV of 2009 batch) is $112,023 for 18-month period. OE is $85,333, OPA rate is 3.80%, and BEP month is 3. SLVs of 2009 batch for the entire simulation period were negative, indicating that the firm’s current salesperson development strategy is not a proper one. With the even allocation strategy (strategy 1), firm SV is $2,039,431 for 18-month period, which is significantly higher than the firm’s aggregated SV. However, for the initial three months, this strategy generated negative firm SV ($-38,383), which reflects the increased OE of $468,891. OPA rate is 42.35 percent. BEP month is 4. SLV for the first three-month period was negative, but this study observed a positive SVL from month 9. With the early allocation strategy (strategy 2), firm SV is $1,535,991 for 18-month period. However, for 12-month period, the difference between strategy 1 and strategy 2 is minimal ($996,949 for strategy 1 and $1,067,533 for strategy 2). OE in strategy 2 is lower at $353,144 when compared to strategy 1. OPA rate is 29.27 percent and BEP month is 3. Similar to strategy 1, SLV turned to
positive from month 8. The late allocation strategy (strategy 3) generated the highest firm SV of $2,162,055 for 18-month period. But its firm SV for 12-month period ($841,906) is lower than strategy 1 and strategy 2. OPA rate is 47.44 percent, which is highest among the ODI allocation strategies. OE ($497,084) is also highest among the ODI allocation strategies. BEP month is 4. SLV became positive at month 10. Lastly, the one-time allocation strategy (strategy 4) generated the firm SV of $475,896 with OPA rate of 7.09 percent. OE is low at $79,860. Its firm SV is lowest among the ODI allocation strategies. However, it achieved BEP at month 1. SLV became positive at month 6.

Table 3.5. Result Table for 2009 Batch

<table>
<thead>
<tr>
<th>2009 Batch</th>
<th>Actual</th>
<th>ODI Allocation Strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strategy 1</td>
<td>Strategy 2</td>
</tr>
<tr>
<td>FSV (3-month)</td>
<td>27.189</td>
<td>(38.383)</td>
</tr>
<tr>
<td>FSV (12-month)</td>
<td>95.622</td>
<td>996.949</td>
</tr>
<tr>
<td>FSV (18-month)</td>
<td>112.023</td>
<td>2,039.431</td>
</tr>
<tr>
<td>SLV (3-month)</td>
<td>(186.044)</td>
<td>(225.075)</td>
</tr>
<tr>
<td>SLV (12-month)</td>
<td>(156.536)</td>
<td>128.111</td>
</tr>
<tr>
<td>SLV (18-month)</td>
<td>(153.673)</td>
<td>309.441</td>
</tr>
<tr>
<td>ODI Expenses (OE)</td>
<td>85.333</td>
<td>468.891</td>
</tr>
<tr>
<td>OPA Rate(^5)</td>
<td>3.80%</td>
<td>42.35%</td>
</tr>
<tr>
<td>BEP(^6) month</td>
<td>3</td>
<td>4</td>
</tr>
</tbody>
</table>

\(^1\) ODI: Organizational Development Investment  
\(^2\) FSV: Firm Salesperson Value  
\(^3\) SLV: Salesperson Lifetime Value  
\(^4\) ODI Effectiveness Ratio: Changes in FSV / Changes in OE  
\(^5\) OPA Rate: ODI over firm Profit  
\(^6\) BEP: Break-even Point

5.2. Result for 2010 Batch

Data of 18-month sales closing performance of the sales persons who joined the firm in 2010 (2010 Batch) was analyzed. As noted, this study conducted the additional analysis on the
different batch of salespersons because they had been under different selling environment even though they had been offered with the same internal and external trainings. The amount of total sales closing for this period was $80,061,900 for the margin of $12,009,285, which contributed to firm profit of 7,061,845. As Table 3.6 shows, the firm SV is $292,996. OE is $88,333. OPA rate is 4.22 percent. SLVs for the entire 18-month period were negative, implying the firm’s salesperson development strategy is not a sound strategy.

Strategy 1 (the even allocation strategy) generated the firm SV of $2,394,705, which is highest among the ODI allocation strategies. OPA rate is 41.82 percent. BEP month is 3. SLV was negative for the initial three months, but became positive at month 7. Strategy 2 (the early allocation strategy) generated firm SV of $1,996,279. OPA ratio is 32.10 percent. OE is $578,702. BEP month is 3. SLV turned to be positive at month 5, which is the shortest period. Strategy 3 (the late allocation strategy) generated firm SV of $2,384,640. OPA rate is 43.44 percent, which is highest among the ODI allocation strategies. BEP month is 3. And SLV became positive at month 8. Lastly, strategy 4 (the one-time allocation strategy) generated firm SV of $820,404, which is lowest among the ODI allocation strategies. OE is $181,532. OPA ratio is 9.87 percent. We observed that SLV under this particular strategy became positive at month 4.

Table 3.6. Results for Sales Closing Performance of 2010 Batch
5.3. Findings and Discussions

With its current salesperson development strategy, the firm allocated a majority of its development investment to the first month of salesperson hiring. Such salesperson development strategy may help salespersons to quickly improve salesperson contribution. However, as shown in the results, its lack of developmental interventions for the later stages of salesperson lifecycle instigates the deterioration of SV, which is a function of organizational development investment (ODI) and salesperson contribution (SC). As a consequence, the firm only realizes the small firm SVs from the two different sales closing performances (i.e., 2009 Batch and 2010 Batch). In particular, in terms of firm SV trend over time, this result is not different from the simulation study which found that one-time, initial ODI allocation strategy (i.e., strategy 4) generated the lower firm SV than the other ODI allocation strategies.

Each ODI allocation strategy produced the results that are different one another, indicating that sales organizations’ effective salesperson value management to optimize ODI
allocation is feasible when they consider the salesperson lifecycle stages for the stage-specific interventions. The results suggest that the firm needs to accept either early or even ODI allocation strategy for optimizing its limited ODI allocation. The late ODI allocation strategy can be an optimal strategy for the firm, as long as the firm can retain its salespeople long enough to compensate the large ODI expenses. However, as claimed in the preceding study, the higher firm SV from the late ODI allocation is because of the lower ODI allocation in earlier stages, where salesperson contributions continue to increase due to the reasons other than the direct influence from organizations’ development programs and trainings (see Attia, Honeycutt, and Leach 2005). This indicates that, under this particular ODI allocation strategy, a majority of sales contribution actually comes from the marketing expenses (e.g., product/service advertisement and sales promotions) and the commission, not from salesperson development programs and trainings. Therefore, the effectiveness of ODI on firm SV generation under this particular development intervention strategy is not obvious.

In the meantime, as Table 3.5 and Table 3.6 show, the early allocation of ODI contributed to the comparatively high firm SVs for 2009 Batch and 2010 Batch. That is, for the first twelve months of tenure, strategy 2 continuously generated the highest firm SVs among the allocation strategies for two different batches. However, its 18-month firm SV is even less than strategy 1. Thus, it is arguable that strategy 2 is still attractive for sales organizations. This calls for an investigation on the effectiveness of OE on firm SV changes. This study therefore calculated OE effectiveness on firm SV considering the changes in firm SV in respective of the changes in OE for both batches. A higher OE effectiveness indicates a higher productivity of OE spent for salesperson development and training. As Table 3.7 shows, this study finds that OE effectiveness on firm SV for strategy 2 is highest among the ODI allocation strategies.
addition, strategy 2 realized the relatively shorter BEP than other strategies (except strategy 4).

As noted in the preceding study, achieving BEP early in salesperson’s lifecycle stages can assure more effective investment for salesperson development. Therefore, this study recommends strategy 2 for the firm. The OE effectiveness is summarized in Table 3.7.

Table 3.7. Effectiveness of Organizational Development Investment Expenses (OE) on Firm Salesperson Value (FSV) (2009 and 2010 Batches)

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strategy 1</td>
<td>Strategy 2</td>
</tr>
<tr>
<td>Changes in FSV (A)</td>
<td>17.21</td>
<td>12.71</td>
</tr>
<tr>
<td>Changes in OE (B)</td>
<td>4.49</td>
<td>3.14</td>
</tr>
<tr>
<td>OE Effectiveness (A/B)</td>
<td>3.83</td>
<td>4.05</td>
</tr>
</tbody>
</table>

Meantime, the even allocation strategy (strategy 1) can also be an effective alternative for the firm’s SV generation, considering the short tenure that its current sales force face (see Covert 2010). That is, the even allocation strategy can be a helpful strategic tool for salesperson development because, with its continuous development interventions, the strategy assists sales organizations to maintain a sustainable growth of firm SV throughout the salesperson lifecycle stages. Therefore, this study suggests that the firm employs either the even ODI allocation strategy or the early ODI allocation strategy.
In sum, using the actual sales performance data from one of the global consumer financing company, this study tested the applicability of the quantitative basis in a real working environment. The results show that the current development investment strategy employed by the firm may not be an effective development intervention strategy. Instead, the firm can ensure the effective allocation of limited ODI and the sustainable growth of firm SV with a combination of the even ODI allocation strategy and the early ODI allocation strategy. Therefore, this analysis confirms the findings from the simulation study and further supports the claim that sales organizations may utilize the quantitative basis and the salesperson lifecycle management model for effective and productive organizational development intervention strategies.

6. Implications, Limitations, and Future Study

6.1. Managerial Implications

This study empirically tested the quantitative basis developed in the study 2 with the actual sales closing performance data from one of the global consumer financing company. The findings indicate that the firm can most effectively make development interventions with its focus on the earlier stage in salesperson lifecycle. The findings also indicate that sales organizations’ identification of lifecycle stages and subsequent stage-specific interventions can ensure the effectiveness of organizational development investment in firm SV and SLV generation.

In particular, the findings provide practical strategic implications for the firm. From the interviews with managers of the firm, it was clear that the firm was not sure about the effectiveness of training programs on sales productivity. Its human resource department viewed
the firm’s trainings as the ones that focus more on team management skill improvement through performance recognition, loyalty improvement, and leadership training rather than on sales productivity improvement. The sales planning manager of the firm accepted the fact that the firm’s development investment had been minimal because it had focused on trainings for selling products instead of providing strategic development programs for salespersons’ productivity maximization. The manager claimed, as the reasons to the lack of such programs within the firm, that there had been difficulties involved in establishing the linkage between sales training and sales productivity and that the productivity of the firm’s salespersons had been rather influenced by market situation, product competitiveness, and firms’ competitive advantage against competitors. With the empirical validation of the quantitative basis, therefore, the current study provides important, practical strategic implications for the firm. In other words, the firm needs to recognize the value of identifying the salesperson lifecycle stages and categorizing its sales force into a particular stage. As claimed in the earlier studies, these identification of stages and the categorization of sales force lead to the stage-specific development interventions that can maximize the effectiveness of salesperson development and training programs.

In addition, the stage-specific development interventions can ensure a successful sales force management of the firm. As claimed in the preceding studies, in their earlier lifecycle stage, salespeople do not develop adequate sales skills and sales networks (e.g., customers, supervisors, coworkers, and internal employees). In contrast, skilled salespeople in later stages often find assigned sales goals not challenging enough to get stimulated for further development (Cron 1984). These indicate that uniform application of sales force development for salespeople across different lifecycle stages may undervalue skilled salespeople but overvalue incompetent salespeople in earlier stages. Thus, effective and efficient sales force development is feasible
with consideration of salesperson lifecycle stages. Yet this can only be done when sales organizations correctly estimate returns on investment for salesperson development at each stage. In this regard, the quantitative basis and the salesperson lifecycle management framework help the firm correctly realize salespersons’ value and find ways to improve RODI for achieving shorter BEP and to be in line with their organizational goals.

6.2. Research Implications

The empirical validation of the quantitative basis fills some of the gaps identified with the simulation study and supports the application of the quantitative basis to firm practices. First, most of the assumptions employed in the simulation study were replaced with the actual information from the data. Second, this study used the actual sales closing performance of the salespeople in the firm instead of the three different types of sales closing performance created for the simulation study. Lastly, this study analyzed the firm’s current development intervention strategy for the practical strategic implications for the firm. After these changes, the findings still support the strategic implications claimed with the simulation study in the preceding study, indicating the applicability of the quantitative basis in real business practices.

This study empirically validated the salesperson value management strategy and found that the results from the empirical validation are in line with the simulation study. The empirical validation of the salesperson value management strategy is meaningful because it contributes to the academic efforts to bridge the gap created as development strategies and evaluations are developed separately (see Attia et al. 2005). The validation also supports the claim that the suggested quantitative basis can mitigate the challenges because it employs the stage-specific
development intervention strategies proposed in the SLM model for the resolution of the longitudinal nature of the sales training that is being evaluated.

The validation also contributes to the field because it supports the claim that SV reflects the value of training and development interventions and can be calculated with quantifiable and accessible data found at workplaces. Moreover, it strengthens the position that the SV and SLV serve as heuristic alternatives to the earlier debates regarding the methodology for evaluating organizational employee development interventions (Boles, Donthu, and Lothia 1995; Dubinsky and Hansen 1981; Geber 1995; Honeycutt et al. 2001; Phillips 1998).

Therefore, this study confirms the position that valuing the salesperson is, in fact, part of the salesperson development process, for which organization’s stage-specific development interventions should be conducted and which should, therefore, align with organizational objectives.

6.3. Limitations and Future Study

Despite the use of the actual data, there are still limitations in this study. The data is a single company-sourced. Therefore, it inherently opens to an issue of generalization. To address the issue, this study conducted the separate analyses on the two different batches of salespeople. However, they are from a single company, selling the same products. Accordingly, the findings from the current study may not be generalized into different sales organizations and different industry.

The direct, linear relationship between OE and sales closing performance was used in this study. And, this study also used the adjusted training contribution ratio to reflect the different ODI allocation strategies. These two are short of empirical supports. Furthermore, considering
that different industry might have different training contribution ratio because of competition, economic situation, and salesperson competency, this study notes that the application of the (adjusted) training contribution ratio may limit the application of the current findings to other industry practices.

Another generalization issue may come from the different products or services offered in different industries. The empirical validation is based on the personal lending product typically offered to individual borrowers in consumer financing firms. A salesperson who works with different products or services in different industries may provide different interaction interpretations than the ones provided in this study.

7. Conclusion

It is not easy to measure the relationship between sales training and sales productivity because salespersons’ productivity may be influenced more by market situation, product competitiveness, and firms’ competitive advantage. And, it is even difficult to track individual performance of the salesperson who have gone through any specific trainings. Moreover, firms often view sales trainings as the ones that focus on team management skill improvement through performance recognition, loyalty improvement, and leadership training, rather than the ones that focus on sales productivity improvement. Accordingly, sales organizations face challenges in successfully aligning of people strategies to their organizational imperatives.

However, such doubtful inquiries on the effectiveness of sales training are mainly because of the difficulties involved in isolating the effect of sales training on sales closing performance from other influential factors. To answer these inquiries, therefore, this study
suggests that sales organizations can make a successful alignment with their organizational imperatives by employing salesperson lifecycle management model for their sales force development and management and by using the quantitative basis for measuring salesperson value and salesperson lifetime value. As a necessary condition for the suggestion, sales organizations must identify salespersons’ lifecycle stages and categorize their sales force to a particular lifecycle stage. Such stage-specific view plays a significant role for ensuring sales organizations’ successful strategic alignment of their development interventions.
REFERENCES


