

Uncovering the Impact of Sales Force Capabilities on Firm Performance

Ryan Mullins, Clemson University

Executive Summary

Over the past two decades, marketing research has recognized that firm capabilities – complex bundles of skills and knowledge embedded in organizational processes (e.g., market sensing, brand management) – are key sources of sustainable competitive advantage used by firms to leverage their assets and achieve superior performance (Day 2011). Despite this interest in other areas of the firm, there is no empirical research that measures the impact of a firm's sales force-specific capabilities on firm performance. From a practice perspective, this lack of understanding sales force capabilities (e.g., acquisition, retention) limits sales leaders' ability to isolate strategic areas for improvement that drive sustainable competitive advantages in their marketplace.

In light of this knowledge gap, this research study adds to the sales force strategy domain by focusing on the link between various sales force capabilities and firm performance. For this research, the author surveyed sales leaders (i.e., vice presidents, directors, chief revenue officers) at leading companies across industries in the U.S. This unique focus on sales leaders is important and novel given their unique perspectives on both the strengths of their sales force's customer-facing processes and overall sales force performance.

This study provides notable contributions to the sales force strategy domain that benefit both practitioners and researchers. Specifically, results show that each sales force capability provides a significant, but distinctly different impact on sales force performance. This focus on sales force capabilities and performance is notable as research on sales force performance has overwhelmingly focused on individual salesperson performance (Verbeke et al. 2011) with only 5% of studies examining performance at the firm-level of analysis (Cron 2017). Importantly, these impacts are also dependent on various sales force contingencies. For example, results show that sales forces with higher proportions of salary-based compensation show a stronger impact on performance from retention capabilities but a weaker impact from account development capabilities.

Based on the study's findings, we offer multiple recommendations to sales leaders. First, sales leaders should begin to diagnose each component of their sales force capabilities using the survey instrument developed in this study. By breaking down the strengths and weaknesses of the sales force, sales leaders can craft a much more efficient capability development strategy that targets specific areas of improvement in lieu of across-the-board sales force improvement plans. This measurement process also establishes a benchmarking tool for continuous evaluation of sales force capabilities when compared against competitors. Second, this study starts to uncover a conditional framework to better understand the varied contingencies that could strengthen or weaken the impact of sales force capabilities on performance. Previous research demonstrates that the impact of marketing capabilities on outcomes is contingent on the information available in the external environment (Moorman and Slotegraaf 1999). In a similar vein, this study finds that compensation level, turnover, and compensation mix all play differential roles in influencing the effectiveness of various sales force capabilities.

References

- Day, G. S. (1994). The capabilities of market-driven organizations. *Journal of Marketing*, 37-52.
- Cron, W. L. (2017). Macro sales force research. *Journal of Personal Selling & Sales Management*, 37(3), 188-197.
- Moorman, C., & Slotegraaf, R. J. (1999). The contingency value of complementary capabilities in product development. *Journal of Marketing Research*, 239-257.
- Verbeke, W., Dietz, B., & Verwaal, E. (2011). Drivers of sales performance: a contemporary meta-analysis. Have salespeople become knowledge brokers? *Journal of the Academy of Marketing Science*, 39(3), 407-428.