The effect of managerial cost prioritization on sales force turnover

Jennifer Skiba a,⁎ Amit Saini b, Scott B. Friend c

a Missouri State University, College of Business, Department of Marketing, 901 S. National Ave., Springfield, MO 65897 United States
b University of Nebraska–Lincoln, College of Business Administration, Department of Marketing, 512 N. 12th Street, Lincoln, NE 68588, United States
c Miami University, Farmer School of Business, Department of Marketing, 800 E. High Street, Oxford, OH 45056, United States

Abstract

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

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1. Introduction

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

Sales force turnover is identified as a key consequence of cost prioritization given that turnover remains a serious problem with ensuing complications. Utilizing the job demands–resources (JD-R) theory and past research on control mechanisms (Jaworski, 1988), three moderating factors — output control, behavior control, and micromanagement — are hypothesized as impacting the relationship between cost prioritization and sales force turnover. Based on a survey of B2B sales managers, the results underscore three important contributions: (a) cost prioritization by sales managers increases sales force turnover, (b) output control attenuates, whereas micromanagement exacerbates, this effect on turnover, and (c) sales force functional and dysfunctional turnover are differentially influenced by managerial cost prioritization. As a result, academics and practitioners alike will have a better understanding of organizational outcomes that accompany bottom-line analyses typical of assessments of cost prioritization.

2. Research model and hypotheses

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

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⁎ Corresponding author.
E-mail addresses: jskiba@huskers.unl.edu (J. Skiba), asaini2@unl.edu (A. Saini), friendsb@miamioh.edu (S.B. Friend).

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

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

2.1. Cost prioritization and turnover

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

Job resources such as pay, career opportunities, and job security are among those aspects of the job that help employees achieve work goals or stimulate personal growth and development (Bakker & Demerouti, 2007). Similarly, a lack of resources can reduce an employee’s ability to meet job goals and lead to disengagement, withdrawal from work, and/or turnover (Demerouti et al., 2001). As such, the focal resource in this study is managerial cost prioritization.

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

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

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

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

<table>
<thead>
<tr>
<th>Sales manager-level categories</th>
<th>Sales manager-level factors</th>
<th>Exemplar source(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership style</td>
<td>Leadership behavior and style</td>
<td>Adidam (2006), Boles et al. (2012), Jaramillo, Grisaffe, Chonko, and Roberts (2009), Treadway et al. (2004)</td>
</tr>
<tr>
<td>Supervision and support</td>
<td>Supervision and supervisory trust</td>
<td>Adidam (2006), Boles et al. (2012), Brashear et al. (2005), Darmon (2008), DeConinck and Johnson (2009), Jones, Kantak, Futrell, and Johnston (1996)</td>
</tr>
</tbody>
</table>

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As sales manager cost prioritization increases, dissatisfaction, thereby affecting sales force turnover. Cost prioritization by the sales manager signals boundaries to resource deployment, which would likely increase sources. Cost prioritization argues employee withdrawal results from conditions of limited resources. Cost prioritization by the sales manager signals boundaries to resource deployment, which would likely increase sources. Cost prioritization argues employee withdrawal results from conditions of limited resources.

H1. As sales manager cost prioritization increases, sales force turnover also increases.

2.2. Contingent effects of cost prioritization and turnover

In addition to job resources, JD-R notes that job demands can interact with job resources to further impact employee engagement (Bakker & Demerouti, 2007). Job demands are facets of the job that require sustained effort to be expended by employees, such as achieving a particular sales quota (Demerouti et al., 2001; Miao & Evans, 2013). JD-R indicates job resources influence engagement, particularly when job demands are high, and may have differential impacts (e.g., Bakker & Demerouti, 2007). The differential impact is likely due to the influence of two demand types: challenge demands (e.g., high workload) and hindrance demands (e.g., office politics) (Miao & Evans, 2013). Demands viewed as challenges tend to be positively related to engagement as they promote competence or personal growth, while demands viewed as hindrances are negatively related to engagement as they constrain growth and work accomplishments (Crawford, LePine, & Rich, 2010; Miao & Evans, 2013). The current study examines three job demands: output control, behavior control, and micromanagement.

While past research has underscored the importance of utilizing accounting for sales manager decisions (e.g., controls) to understand salesperson turnover models (e.g., Brashear et al., 2005; DeConinck & Johnson, 2009), questions on the influence these variables have on salespeople and the turnover process remain (Boles et al., 2012). Prior research on managerial control mechanisms (Brashear et al., 2005; Jaworski, 1988) suggest aspects of control mechanisms and management style provide boundary conditions to examine the effect of cost prioritization on turnover. In terms of control mechanisms, a sales manager's choice of output versus behavior control is argued to create distinctive conditions that impact how cost prioritization plays out. In terms of management style, micromanagement, is theorized to examine the conditional effect of cost prioritization under heightened managerial inspection.

2.2.1. Output control

Output control involves setting a performance standard, evaluating the results against the standard, and taking corrective action in the event of a divergence (Jaworski, 1988). Under high output control, a sales manager provides feedback, warnings, compensation, and promotion almost entirely based on achieving sales targets. The advantages of output control are well-articulated goal setting and explicit performance standards, which minimize the adverse effects of role demands and strain (Ramswami, 1996). In the context of cost prioritization, output control is likely to be viewed as a challenge demand as output control entails pressure to complete tasks and requires a problem-focused coping strategy to meet the demands (Miao & Evans, 2013) in order for salespeople to meet the sales related goals.

As a challenge demand, output control is argued to attenuate the increase in sales force turnover resulting from sales manager cost prioritization. First, by linking performance to a quantified sales outcome, the sales manager signals "no limits" to topline achievement. Such a signal provides breathing room to the sales force that may otherwise feel dispirited by perceived resource deficiencies signaled by cost prioritization. Second, output control typically involves tracking and documenting the revenue side of sales activities. Such documentation helps offset the impact of cost prioritization which would involve tracking and controlling costs. The net result is the sales force gets exposure to both the sales manager's cost priorities and quantified topline revenue growth, reducing the effect of cost prioritization on role strain, which, consistent with JD-R theory (Bakker & Demerouti, 2007; Demerouti et al., 2001), reduces the likelihood of turnover. In short, while a sales manager's cost prioritization adversely affects sales force turnover intentions, the usage of output control mitigates this effect because the sales force knows that at the end of the day, their output is what truly counts.

H2. Output control moderates the impact of cost prioritization on sales force turnover, such that as output control increases, the increase in sales force turnover associated with the increase in sales manager cost prioritization is attenuated.

2.2.2. Behavior control

Behavior control mechanisms refer to the sales manager's supervision and control of sales related activities of the sales force and
comprise a more subjective evaluation based on process behaviors rather than outcome results (Oliver & Anderson, 1994). Behavior control consists of an evaluation of the quality and quantity of activities salespeople engage in (Babakus, Cravens, Grant, Ingram, & LaForge, 1996). Thus, with behavior control, directing activities involves monitoring actual sales behaviors and rewarding performance of specified sales activities. In the context of cost prioritization, behavior control is likely to be viewed as a hindrance demand, as an inordinate cost focus coupled with close supervision of sales activities distracts the sales force from focusing entirely on making sales.

As a hindrance demand, behavior control is argued to accentuate the increase in sales force turnover resulting from sales manager cost prioritization. When compensation is tied to an activity blueprint, cost prioritization signals that effort placed on sales activities while under watchful resource constraints count more than the results of those efforts. Such a signal is likely to demotivate the sales force whose expectancies (i.e., perceived link between effort and performance) and instrumentalities (i.e., perceived link between performance and reward) are typically associated with achieving sales productivity (Johnston & Marshall, 2013; Miao et al., 2009). Additionally, with behavior control, a cost prioritized sales manager may carefully monitor the costs associated with each activity, further straining the sales force as they figure out which behaviors are cost effective and which are not. In short, a sales manager’s cost prioritization adversely affects turnover and the usage of behavior control exacerbates this effect because the sales force knows that the sales manager is not only preoccupied with cost management, but also observing their actions which can be tied to a budgetary line item.

H3. Behavior control moderates the impact of cost prioritization on sales force turnover, such that as behavior control increases, the increase in sales force turnover associated with the increase in sales manager cost prioritization is accentuated.

2.2.3. Micromanagement

Micromanagement refers to a style of management characterized by the manager’s excessive monitoring and control of the day-to-day decisions and actions taken by employees (Austin & Larkey, 1992; White, 2010). Under high levels of micromanagement, sales managers believe in providing exact instructions for tasks and expect the sales force to consult with them on day-to-day decisions. High micromanagement is characterized by a lack of trust in the quality of work produced by the sales force unless the work is closely inspected by the sales manager, and is likely to be viewed as a hindrance demand. Comparatively, while behavior control refers only to sales activities, micromanagement refers to all day-to-day decisions and actions. Further, monitoring the quality and quantity of sales activities determines salesperson compensation under behavior control, while micromanagement refers only to excessive monitoring and is not linked directly to compensation.

High levels of micromanagement can create a microlimate (Boles et al., 2012) that accentuates the impact of cost prioritization on sales force turnover. First, the sales force is likely to become anxious under close inspection and potential criticism from micromanaging sales managers, which could lead them to become risk averse, thus hurting productivity. Second, a sales force is less likely to look for creative solutions under high micromanagement and cost prioritization for fear of being penalized for deviating from the script. Conditions of throttled creativity and higher risk averseness exacerbate the impact of cost prioritization on turnover by adding to the demoralizing impact of perceived resource constraints.

H4. Micromanagement moderates the impact of cost prioritization on sales force turnover, such that as micromanagement increases, the increase in sales force turnover associated with the increase in sales manager cost prioritization is accentuated.

3. Methodology

The sampling frame consisted of key respondents in a B2B sales management role, managing a group of at least two salespeople. To increase generalizability, key respondents were selected from a range of industries across the United States. B2B sales management was chosen as the context because the complexity of the industrial purchasing process (Webster & Wind, 1972) necessitates cost versus revenue trade-offs.

A national online panel through Qualtrics was utilized to recruit respondents. Online panels provide an effective approach to collecting large samples of respondents from groups that have specialized backgrounds, such as sales managers (e.g., Arnett & Wittmann, 2014), and is thus a common data collection method in the sales context (Johnson, 2016). Respondents were compensated by Qualtrics for participation. Respondents were prescreened via three specific questions to ensure they were the correct respondents. First, respondents were asked about their primary role (sales, sales management, or both). Respondents indicating that their role was primarily sales were unable to continue the survey. Second, respondents were asked whether they managed a group of more than one salesperson. Respondents indicating yes were asked to continue the survey. Finally, respondents were asked whether their sales force primarily sold to consumers or businesses, with respondents indicating consumers screened out of the survey.

A total of 968 respondents accessed the online survey, with 203 completing the questionnaire. Several methods were utilized to ensure respondents were not rushing through or straightlining responses (e.g., comparison of completion times, instruction traps, straightlining examinations; Johnson, 2016). Qualtrics eliminated 24 completions as a result of these methods, resulting in 179 useable surveys; a response rate of 18.5%. No evidence of non-response bias was found with an extrapolation method comparing early and late responders (Armstrong & Overton, 1977).

Respondents had an average of 9.8 years of company experience, 9.0 years of sales management experience, and were on average 42.9 years of age. Approximately 45% of the respondents were female. Respondents came from diverse industries: technology/communications (26.8%), consumer goods (26.3%), financial services/consulting (12.3%), medical/pharmaceutical (8.9%), transportation/logistics (8.4%), and other (17.3%). Two questions on self-perception of cost control (average 5.5 out of 7) helped to judge the appropriateness of using sales managers as key respondents.

3.1. Construct and measure development

Wherever possible, existing scales were adapted for the constructs in this study, and when necessary, new constructs (e.g., cost prioritization, micromanagement, sales force turnover) were developed. Scale development began by identifying construct domains and creating detailed definitions of each new construct. Items were then created to capture those definitions through qualitative depth interviews with sales managers, as well as a review of existing literature (Nunnally & Bernstein, 1994). Cost prioritization items were developed in line with literature that highlights a manager’s cost focus (e.g., emphasis on cost over revenue; Rust, Moorman, & Dickson, 2002). Seven items were developed, each consistent with an emphasis on monitoring, analyzing, and controlling costs over revenues. Micromanagement items were developed in accordance with extant conceptualizations in the literature (e.g., telling them what to do and how to do it; Moss & Sanchez, 2004). Five items were developed, each consistent with a managerial mindset of monitoring and controlling the sales force. Sales force turnover items were similarly developed, highlighting two primary forms of turnover (i.e., voluntary turnover and dismissal; Darmon, 1990). Three items were developed to capture turnover from the sales...
manager's perspective, each consistent with the rate at which salespeople leave the organization.

After creating the items, each was edited to ensure maximum clarity. The items were then presented to four academics familiar with both marketing and survey methodology in order to assess face validity and ensure all facets of the constructs had been included (Churchill, 1979). Further adjustments were made to the questionnaire based on this feedback. Next, the survey was presented to four qualified sales managers accessed through convenience sampling. The sales managers responded to the questions and provided feedback on issues found with the items. The final instrument included edits based on this feedback.

In order to reduce common method variance (CMV), several steps were taken. First, multiple question stylings (i.e., how questions were presented on each page) were utilized and alternated throughout the questionnaire to provide variety in how constructs were displayed to respondents. Physical distance between independent and dependent variables was also introduced within the questionnaire. Further, respondents were informed that answers to the questions could not be right or wrong and were assured of anonymity. Finally, in data analysis, Harman's one-factor test was used, which has been widely used as a means to address CMV (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). Four factors were found to have an eigenvalue greater than one, accounting for 70.2% of the variance, with the first factor accounting for 39.8%. Unless otherwise stated, all constructs are considered significant, and were twice their standard error, demonstrating convergent validity, and AVEs above .50 (Fornell & Larcker, 1981) except for behavior control (.42). Construct measures, CRs, and standardized factor loadings in Table 3. Variance inflation factor scores were below the 10.00 limitation (Fornell & Larcker, 1981). A nested model CFA approach was then used in which a series of constrained and unconstrained models was run, for each pair of constructs in the model. The constrained model was compared to the unconstrained model and significant chi-square differences for all pairs were found, indicating discriminant validity (Anderson & Gerbing, 1988).

Table 2

<table>
<thead>
<tr>
<th>Table 2 Measures, reliabilities, and factor loadings.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales force turnover: New scale</td>
</tr>
<tr>
<td>(Cronbach's alpha = .90 CR = .90; range of factor loadings: .83–.91)</td>
</tr>
<tr>
<td>1. Salespeople from my sales team voluntarily leave the organization on a regular basis.</td>
</tr>
<tr>
<td>2. Turnover of salespeople from my sales team is higher than for our main competitors.</td>
</tr>
<tr>
<td>3. I routinely have to let salespeople go.</td>
</tr>
</tbody>
</table>

Cost prioritization: New scale
(Cronbach's alpha = .90; CR = .96; range of factor loadings: .87–.94)

1. Knowing the costs associated with my sales team is more critical to me than knowing the revenue the team brings in.
2. It is critical to emphasize cost-controlling activities more than revenue-generating activities.
3. I place a greater emphasis on cost information than I do on revenue information for my decision making.
4. Cost control is a higher priority than revenue growth.
5. Prioritizing managing costs over driving revenues allows me to better manage my sales team.

Output control: Adapted from Challagalla and Shervani (1996)
(Cronbach's alpha = .81; CR = .83; range of factor loadings: .61–.82)

1. If my sales team's sales goals are not met, I would require them to explain why.
2. Pay increases for my sales team are based upon how their performance is compared with their sales goals.
3. I would provide a warning to my sales team if their sales goals are not met.
4. My sales team's pay increase would suffer if their sales goals are not met.

Behavior control: Adapted from Babakus et al. (1996)
(Cronbach's alpha = .77; CR = .77; range of factor loadings: .56–.70)

1. My salespeople are compensated based on the quality of their sales activities.
2. My salespeople are compensated based on the quantity of their sales activities.
3. I evaluate salespeople based on the quality of sales presentations made.
4. My salespeople are evaluated on the number of calls they make.
5. My salespeople are evaluated on how much effort they put into professional development.

Micromanagement: New scale
(Cronbach's alpha = .91; CR = .92; range of factor loadings: .80–.91)

1. I think micromanaging my sales team is the best way to get results.
2. I don't trust the quality of work of my sales team unless I have helped with the decisions every step of the way.
3. In order to be effective, I need to instruct my sales team down to the smallest details of their jobs.
4. I get upset if my sales team does not consult with me on their day-to-day decisions.

Sales force functional vs dysfunctional turnover
What percentage of the salespeople that have left your sales team voluntarily in the past 12 months would you evaluate as:

| 1. Below average |
| 2. Average |
| 3. Above average |

3.2. Measure validation

Confirmatory factor analysis (CFA) was used to validate measures. All items loaded onto hypothesized factors. One item, with a factor loading less than .50, was dropped from the scale. All final variables had significant factor loadings above .50. The fit of the model was adequate (Hu & Bentler, 1999): $\chi^2 = 257.27$ (d.f. = 176); CFI = .97; RMSEA = .01, and SRMR = .05. Composite reliabilities (CR) and average variance extracted (AVE) were also calculated, with CRs ranging from .77 to .96, and AVEs above .50 (Fornell & Larcker, 1981) except for behavior control (.42). Construct measures, CRs, and standardized factor loadings are displayed in Table 2.

Standardized factor loadings all exceeded .50, were highly significant, and were twice their standard error, demonstrating convergent validity (Bagozzi & Yi, 1988; Fornell & Larcker, 1981). Each pair of constructs was evaluated to ensure their shared variance was lower than the AVEs for the individual constructs, indicating discriminant validity (Fornell & Larcker, 1981). A nested model CFA approach was then used in which a series of constrained and unconstrained models was run, for each pair of constructs in the model. The constrained model was compared to the unconstrained model and significant chi-square differences for all pairs were found, indicating discriminant validity (Anderson & Gerbing, 1988).

3.3. Estimation procedure

Composite scores were calculated for each construct, by averaging scale items together, then mean centered before creating interaction terms. The correlation matrix and descriptive statistics are presented in Table 3.
recommended cutoff, with the highest value of 2.56, indicating multicollinearity is likely not an issue (Hair, Black, Babin, & Anderson, 2009; Kleinbaum, Lawrence, Muller, & Nizam, 1998).

Results of the multiple regression analysis are presented in Table 4. The full regression model was estimated as:

\[
\text{SalesForceTurnover} = \alpha + \beta_1 \text{CostPrioritization} + \beta_2 \text{OutputControl} + \beta_3 \text{BehaviorControl} + \beta_4 \text{Micromanagement} + \beta_5 \text{OutputControl} \times \text{BehaviorControl} + \beta_6 \text{CostPrioritization} \times \text{BehaviorControl} + \beta_7 \text{NumberEmployees} + \beta_8 \text{FirmAge} + \beta_9 \text{ConsGoods} + \beta_{10} \text{Consult} + \beta_{11} \text{Pharma} + \beta_{12} \text{Trans} + \beta_{13} \text{Other} + \beta_{14} \text{Control1} + \beta_{15} \text{Control2}.
\]

Industry was dummy coded such that each category had a separate code (1 if in that industry, 0 otherwise). Each category was included in the regression, with technology serving as the comparison group.

Table 4 (Model 1) indicates that the control variables explain 14% of the variance in sales force turnover. Adding the independent variables (Model 2) led to an increase in R² of 37% (ΔF = 29.60, p < .01). Interaction terms (Model 3) increased the R² by 6% (ΔF = 6.59, p < .01). Given the significant increase in R², Model 3 was used for all subsequent hypothesis testing.

A significant positive relationship for H1 was found, indicating a higher level of cost prioritization is associated with higher levels of sales force turnover (H1: \( \beta = .32, p < .01 \)). As hypothesized, output control negatively moderates the relationship between cost prioritization and turnover (H2: \( \beta = -.14, p < .10 \)), while micromanagement positively moderates this relationship (H4: \( \beta = .24, p < .01 \)). Therefore H1, H2, and H4 are supported. H3 is not supported as the moderating effect of behavior control is not found to be significant (H3: \( \beta = .06, p > .10 \)).

Table 3

<table>
<thead>
<tr>
<th>Independent variables</th>
<th>Hypothesis</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Sales force turnover</td>
<td>1.00</td>
</tr>
<tr>
<td>2. Cost prioritization</td>
<td>.54**</td>
</tr>
<tr>
<td>3. Output control</td>
<td>.16</td>
</tr>
<tr>
<td>4. Behavior control</td>
<td>.28**</td>
</tr>
<tr>
<td>5. Micromanagement</td>
<td>.60**</td>
</tr>
<tr>
<td>6. Firm age</td>
<td>.91</td>
</tr>
<tr>
<td>7. Firm size</td>
<td>.21</td>
</tr>
<tr>
<td>8. Perception of control 1</td>
<td>-.02</td>
</tr>
<tr>
<td>9. Perception of control 2</td>
<td>-.11</td>
</tr>
</tbody>
</table>

Table 4

<table>
<thead>
<tr>
<th>Independent variables</th>
<th>Hypothesis</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Control variables</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firm size</td>
<td>(.15^*)</td>
<td>-.03</td>
<td>-.06</td>
<td></td>
</tr>
<tr>
<td>Firm age</td>
<td>-.05</td>
<td>.09</td>
<td>.13**</td>
<td></td>
</tr>
<tr>
<td>Industry</td>
<td>.01</td>
<td>-.05</td>
<td>-.02</td>
<td></td>
</tr>
<tr>
<td>Industry - financial</td>
<td>-.06</td>
<td>-.03</td>
<td>-.01</td>
<td></td>
</tr>
<tr>
<td>Industry - medical/healthcare</td>
<td></td>
<td>-.10</td>
<td>-.09</td>
<td>-.04</td>
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<td>-.14**</td>
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<td>-.18**</td>
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<td>.27***</td>
<td>-.26***</td>
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<tr>
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<td>.32***</td>
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<tr>
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<td>.12</td>
<td>.02</td>
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<td>.42***</td>
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<tr>
<td>Cost prioritization (\times) Output control</td>
<td>(H2^-)</td>
<td>-.14*</td>
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<tr>
<td>Cost prioritization (\times) Behavior control</td>
<td>(H3^+)</td>
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<tr>
<td>Cost prioritization (\times) Micromanagement</td>
<td>(H4^-)</td>
<td>.24***</td>
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<td>Adjusted R²</td>
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<td>F change</td>
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* Significant at p < .10 (two tailed).
** Significant at p < .05.
*** Significant at p < .01.

3.4. Additional analysis: functional and dysfunctional turnover

While findings generally supported the hypothesized model, the underlying mechanisms at play remain an area of interest. Specifically, the logic utilized to support the moderating mechanisms maintains that the alignment between sales manager cost prioritization and control/management style determines the severity of the adverse effect on sales force turnover. For example, if the sales manager is high in cost prioritization, but utilizes output controls, the impact will be mitigated because the sales force knows their performance is the primary evaluative criteria at the end of the day. If this logic is accurate, one would expect high performing salespeople (i.e., those high in output evaluative criteria) to be in favor of sales manager cost prioritization. The opposite can be said for low performing salespeople. In order to tease out this mechanism further, additional analysis was conducted to assess the impact of cost prioritization on sales force functional and dysfunctional turnover.

Dysfunctional turnover was operationalized as the turnover of above average performing salespeople, and functional turnover as the turnover of below average performing salespeople. To capture dysfunctional and functional turnover, respondents were asked if they had at least one salesperson leave voluntarily within the past 12 months. If yes (n = 87), respondents were asked to indicate what percent of those who left were above average, average, or below average performers. Using the percentage of above average (dysfunctional) and below average (functional) responses as the dependent variables, two regression analyses were run to differentiate between the effects of cost prioritization on dysfunctional/functional turnover.

The regression findings show a significant negative relationship between cost prioritization and dysfunctional turnover (t = -1.80,
p < .10) and a non-significant relationship between cost prioritization and functional turnover (t = .87, p > .10). Findings thus suggest when managers prioritize costs over revenue, turnover of their sales force increases (H1); however this prioritization deters turnover among high performing salespeople.

4. Discussion

The purpose of this study is to conceptualize cost prioritization and investigate its consequences on sales force turnover through the lens of JD-R theory. This study contributes three important findings: (a) managerial cost prioritization increases sales force turnover, (b) output control attenuates, whereas micromanagement exacerbates, this effect on turnover, and (c) sales force functional and dysfunctional turnover are differentially influenced by managerial cost prioritization.

4.1. Theoretical and managerial implications

Managers are under increasing pressure to grow sales while controlling and justifying sales related expenses (Kumar et al., 2014; Skiara & Albers, 2008). While research has begun to investigate specific elements of the increasing cost orientation of sales managers (e.g., Homburg, Jensen, & Hahn, 2012), the ramifications of an inordinate amount of cost focus have remained largely unexamined. Thus, research is needed on how managerial prioritizations influence the human resource makeup of sales forces, in turn, influencing turnover and the bottom-line. Findings empirically demonstrate that as sales managers prioritize costs, sales force turnover increases. Such evidence highlights the first contribution, underscoring the importance for managers and researchers alike to broaden the lens in which they assess the impact of managerial cost accountability tactics—going beyond sales output to account for attitudinal and behavioral responses. These findings extend the JD-R notion that appearance of a lack of resources can lead to employee withdrawal; thus, employee perceptions of resource constraints judged through managerial cost prioritization) have an impact on employee retention.

Secondly, managers must understand which factors under their control impact the undesirable relationship between cost prioritization and turnover, and which factors attenuate/accelerate this relationship. Understanding this relationship is particularly important because turnover is difficult to predict and managers struggle with understanding how to reduce turnover (Darmon, 2008; Futrell & Parasuraman, 1984). As a result, maintaining control over the influence managers’ command to direct favorable sales force responses is ever important. Findings show that output control attenuates the impact of cost prioritization on turnover, while behavior control has no impact. To leverage this finding, sales managers would do well to utilize output control and permit unlimited upside sales potential in order to reduce the adverse effects of a sales manager’s disproportionate focus on costs. The non-significant finding for behavior control indicates behavior control may not be a source of additional role strain when managers prioritize costs. That is, when the sales force knows their compensation will be based on behaviors controllable within a cost prioritized system, the effect of cost prioritization on turnover is not altered. These findings also provide support for the differential impacts that challenge and hinderance demands can have on employee engagement.

A further recommendation for managers who prioritize costs relative to revenues is to avoid utilizing a micromanagement approach given the unwanted strengthening of the influence of cost prioritization on sales force turnover. Although not hypothesized, the main effect of micromanagement on turnover was also found to be highly significant (β = .42, p < .01). Such a finding underscores the generally negative consequences of excessive monitoring. In order to reduce the level to which the sales force perceives the manager to be a micromanager, managers should support an environment which allows for an autonomous work style, gives salespeople decision-making authority, and facilitates accountability to other co-workers (Menguc, Auh, & Kim, 2011). In aggregate, these findings build upon the limited amount of research that considers managerial policies and procedures which help control sales force turnover (Darmon, 1990; Futrell & Parasuraman, 1984).

With the above findings in mind, the third contribution stems from additional analysis used to explore the specific impact of cost prioritization on functional and dysfunctional turnover. While cost prioritization increases turnover in general, additional analysis shows cost prioritization actually reduces dysfunctional turnover. A possible explanation for this finding is high performing salespeople appreciate when their manager gives adequate recognition to costs, providing a mechanism to differentiate between the skill of high performing salespeople and others who attempt to ramp up performance by inefficiently using resources for enhancing sales. Such a finding suggests a potential benefit of prioritizing costs relative to revenue exists, thus building upon research which advocates that not all turnover is negative (Darmon, 2008; Johnson, Griffeth, & Griffin, 2000). This finding also builds on a stream of research that provides evidence of antecedent variables that differentiate between turnover of high and low performers (e.g. Johnson et al., 2000; Johnston & Futrell, 1989), as well as the need to identify actions controllable by sales managers which drive these forms of turnover in order to retain top sales talent (e.g., Boles et al., 2012).

4.2. Limitations and future research

The current study conceptualizes and examines contingent effects of sales manager cost prioritization on sales force turnover, utilizing a multi-industry, cross-sectional survey. The context allows for the inclusion of the moderating variables of management controls and management style across organizations. However, the methodological approach used in this study, including the usage of cross-sectional surveys, possesses limitations. Our measure validation involved only a single sample, the behavior control scale had an AV below the recommended .5 cutoff, and we use p < .10 as a threshold for hypothesis testing; all of these are limitations. Additionally a cross-sectional survey impedes the ability to assess the effects of cost prioritization on sales force turnover over time; longitudinal studies could offer considerable insights. A longitudinal assessment could provide added insight on the causal nature of cost prioritization on turnover, as well as provide a better understanding of the evolution of salesperson turnover. Investigating this evolution would offer a number of unique contributions, including a better understanding of: (a) alternative responses sales force members may look to prior to leaving their job (e.g., decreased effort, absenteeism, deviant behaviors), and (b) the continual administration and management of cost initiatives that coincide with cost prioritization. The current study is also limited in that all variables are measured from the sales manager’s viewpoint. Future research could thus aim to complement this study by using a multi-informant sample in order to add to the understanding of the phenomenon from both the salesperson’s and sales manager’s perspective. A multi-informant approach across multiple levels of analysis could potentially account for (a) salesperson ranges of acceptability of cost priority efforts (i.e., cost prioritization zones of tolerance) in order to understand the tipping point (i.e., nonlinear effects) in which salespeople adversely respond, (b) salesperson-level factors which may moderate the efficacy of the influence of sales manager cost prioritization on sales force turnover – either potentially exacerbating (e.g., performance orientation) or attenuating (e.g., learning orientation) the direct effect, and (c) strategies sales managers could employ to engender positive salesperson responses which may mitigate the adverse effects of cost prioritization (e.g., salesperson buy-in) – such as involving salespeople in their cost strategy design and implementation procedures (Malshe & Sohi, 2009).
A perceptual measure is used for the dependent variable (turnover). Additional studies should consider an objective measure such as historical company statistics to account for sales force turnover. In particular, future researchers could capture objective turnover data in combination with objective performance data in order to get a more nuanced depiction of the influence of cost prioritization on objective forms of functional and dysfunctional turnover.

References


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