Hiring and Promotion Policies in Sales Force Management: Some Antecedents and Consequences

Shankar Ganesan, Barton A. Weitz and George John

The conceptual framework developed in this paper suggests that firms hire salespeople at the entry level and promote salespeople from within the organization to sales management positions, when their sales tasks involve transaction specific skills and they have difficulty hiring salespeople. Hiring at entry level and promotion from within increase salespeople’s trust in the organization, and reduce sales force turnover and opportunistic behavior. A test of the framework using survey data collected from 161 firms indicates that firms tend to promote from within when salespeople possess transaction specific skills. Hiring salespeople at the entry level results in greater level of mutual trust between the sales force and the firm and less opportunistic behavior by the salespeople.

Introduction

A variety of control mechanisms are used to improve sales force productivity by increasing the effort expended and directing sales effort towards specific activities (Jaworski 1988). In the context of sales management, three types of control mechanisms have been examined. As identified by Ouchi (1979), these are the market, bureaucratic, and social mechanisms of control. The market mechanism involves the use of incentives (John and Weitz 1989; Basu et al. 1985), the bureaucratic mechanism involves the use of supervision (Kohli 1985), and the social mechanism involves the development of organizational norms and culture (Tyagi 1982). In addition, sales management research has examined control mechanisms such as feedback (Teas and Horell 1981) and performance measurement (Anderson and Oliver 1987).

Even though sales management research has investigated various control issues, limited research has been directed toward staffing policies in sales organizations: an element of social mechanism of control. Many firms have staffing policies related to the hiring of entry level (no experience) salespeople rather than senior level (experienced) salespeople and the promotion of sales managers from within the organization versus hiring sales managers from outside the organization. No research study, however, has addressed empirically these issues in the context of sales management.

This study focuses on two aspects of the staffing policy: hiring of salespeople at the entry level without any experience (versus hiring of salespeople at senior levels with varying levels of experience) and selection of sales managers from within the organi-

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zation through promotions (versus selection of sales managers from outside sources). The objective of this study is to examine the conditions in the sales environment that motivate sales organizations to use these staffing policies and the implications of these policies on sales force performance. In the next section, a conceptual framework is presented which links the nature of the sales environment to the use of the two staffing policies, and the consequences of such policies. The hypotheses developed from the conceptual framework are tested using survey data gathered from 161 sales forces. The paper concludes with a discussion of the results and their managerial implications.

Conceptual Framework

The conceptual framework outlining the antecedents and consequences of the two staffing policies is shown in Figure 1. This framework suggests that firms use the two staffing policies in response to the following aspects of their sales environment: 1) the degree to which salespeople possess transaction specific assets, and 2) the difficulty that firms have hiring salespeople. These aspects of the sales environment affect the firm's hiring of entry level (no experience) rather than senior level (experienced) salespeople and the promotion of salespeople from within the organization to sales management positions rather than hiring of sales managers from outside sources. Finally, the framework investigates the effect of such staffing policies of the firm on salespeople turnover, trust of the firm and opportunistic behavior of the salespeople.

Effect of transaction specific assets on promotion and hiring policies

Transaction specific assets are the idiosyncratic skills possessed by the salespeople about the firm's policies, products, and customers (Williamson 1975; John 1984). Turnover of salespeople possessing high transaction specific assets is costly to the firm because it is difficult for a firm to hire salespeople with comparable skills. When salespeople are hired who do not possess these skills, the firm suffers an opportunity loss and a direct cost as salespeople are trained about the unique aspects of the firm. Therefore, a firm has an incentive to retain salespeople possessing firm specific skills and knowledge.

Two of the major approaches used by a firm to retain salespeople possessing idiosyncratic skills are: 1) bind salespeople to long-term employment contracts and 2) provide financial incentives for salespeople to remain with the firm. Many researchers have argued that long-term employment contracts are rare because they are considered involuntary servitude by the legal system and society (Becker 1962). Others have suggested that long-term contracts are not economically efficient because of the high costs of writing, negotiating, monitoring, and enforcing contingent claim contracts (Williamson, Wachter, and Harris 1975). In either case, it has been suggested that long-term contracts are not an efficient method for retaining salespeople with transaction specific skills.

The second alternative, providing financial incentives, may also lead to problems especially when an accurate measure of a salesperson's worth in the external market is not available. Firm specific skills raise the value of salespeople to the firm, but do not raise the wages salespeople will command in external markets outside the firm. If the relationship between the firm and the salesperson is severed, the firm suffers increased costs in hiring and training a replacement and the salesperson is left with skills that are not valued in the marketplace.

In order to minimize the cost for both the salesperson and the firm, policies that encourage the development of a long-term relationship between the firm and the salesperson need to be devised (Wachter and Williamson 1978). One such policy, promotion of salespeople to sales management positions from within the firm, encourages salespeople to remain in the firm. Salespeople benefit from such a policy, because they know that opportunities for future rewards in the form of promotions will be restricted to salespeople presently employed by the firm. The firm benefits because it is able to realize the efficiencies gained through developing firm specific skills in its salespeople without the costs of continually training replacements. Thus, the use of promotion of salespeople to sales management positions from within the firm, leads to the development of a long-term relationship with salespeople possessing high transaction specific skills.

Another policy, hiring of salespeople at entry level without any prior experience, also leads to a long-term relationship between the salespeople and the firm. From a firm's viewpoint, as the transaction specific skills associated with a job increase, there will be fewer salespeople in the external market capable of performing the selling functions of the firm. Thus, by restricting the hiring to entry level
Figure 1
Antecedents and Consequences of Staffing Policies

- Difficulty in hiring salespeople
  - H3b
  - H2

- Promotion of salespeople from within the firm
  - H1b
  - H4

- Salesperson's trust in the firm
  - H5b
  - H5a

- Opportunistic behavior of the salesperson
  - H7b
  - H7a

- Transaction specific assets possessed by salespeople
  - H3a

- Hiring of salespeople at entry level
  - H1a
  - H6a

- Sales force turnover
  - H6b
salespeople who can be trained towards the idiosyncratic requirements of the job, the firm avoids the expensive process of searching for salespeople with the appropriate firm specific skills. From the salesperson's standpoint, hiring at entry level reduces the competition associated with promotion to senior level positions. This also suggests that senior salespeople are likely to impart more firm specific skills to entry level salespeople, thereby reducing the costs associated with training of entry level salespeople by the firm.

H1: The level of transaction specific assets possessed by salespeople increases the likelihood that firms will a) hire predominantly entry level salespeople, and b) engage in the practice of promoting salespeople within the firm to sales management positions.

As the transaction specific skills developed in salespeople to perform the sales function increases, the firm will have difficulty in hiring new salespeople to replace existing salespeople. There will be few salespeople in the external market with idiosyncratic skills needed to perform the selling function for the firm.

H2: The level of transaction specific assets possessed by salespeople increases the difficulty of the firm in hiring salespeople.

**Effect of difficulty in hiring salespeople on promotion and hiring policies**

Another factor that affects the promotion and hiring policies is the difficulty that firms have in hiring salespeople. When the supply of prospective salespeople is limited, firms are motivated to increase the control they have over their salespeople and reduce the possibility of salespeople leaving the firm. The use of promotion from within the firm and the hiring of salespeople at the entry level can reduce turnover and confine training to the acquisition of idiosyncratic skills that are not highly valued in labor markets (Pfeffer and Cohen 1984).

When firms confront a tight labor market, incumbent salespeople know that they cannot be easily replaced. Under these circumstances, salespeople can engage in opportunistic behavior with minimal fear of reprisals. They can demand higher wages or reduce their level of sales activity. One method of curbing such opportunistic behavior is to restrict promotions to sales management positions to salespeople from within the organization. Such restrictions to promotions to sales management positions, even when the sales management positions could be filled from outside where no firm specific skills are needed, provide salespeople with an incentive to perform the selling functions required by the firm (Pfeffer and Salancik 1978).

Further, as the labor market gets more difficult, the costs of hiring a salesperson increase compared to the costs associated with recruiting salespeople at entry level positions and providing them with firm specific training. Thus, sales organizations are likely to restrict the hiring to entry level positions as the difficulty with hiring salespeople increases.

H3: The difficulty in hiring salespeople increases the likelihood that firms will a) hire entry level salespeople and b) engage in the practice of promoting salespeople from within the firm to sales management positions.

**The effect of hiring at entry level on promotion of salespeople to sales management positions**

When firms hire a large percentage of salespeople at the entry level, they have a large pool of human resources that are likely to be trained in the needs of the firm. In other words, the firm is likely to have a large pool of salespeople who are adequately trained and possess firm specific skills.

H4: The likelihood that salespeople within the firm will be promoted to sales management positions is positively related to the degree to which firms hire salespeople at the entry level positions.

**Effect of promotion from within and hiring at entry level on trust and turnover**

The framework in Figure 1 indicates that the major consequences of these staffing policies are the development of trusting relationship between the firm and salesperson and the reduction of turnover in sales force. In this study, trust refers to the attitudinal orientation of the parties in a relationship (John 1984). This conceptualization emphasizes the credibility of the parties, the maintenance of norms (Bonomo 1976), and the climate associ-
ated with the relationship between the firm and its salespeople.

In the sales management textbooks, sales force turnover has been defined as the rate at which salespeople leave the sales force because of promotions, resignations, retirements, or dismissals (Dalrymple and Cron 1992). However, in the sales force research literature, sales force turnover is limited to salesperson’s voluntary leaving and firings (Lucas et al. 1987) or as a propensity to leave (Putrell and Parasuraman 1984; Jolson, Dubinsky, and Anderson 1987).

The use of staffing policies such as promotion of salespeople to sales management positions within the organization, and the hiring of salespeople at the entry level, fosters an atmosphere of trust. Organizational theorists (Ouchi 1981) suggest that the culture of an organization affects the performance and productivity of its employees. Organizations with strong cultures (informal social systems that influence the attitude and behavior of employees) typically devote considerable resources over a long period of time to socialize employees to organizational norms. Thus, firms hiring a large percentage of salespeople at the entry level position have a greater opportunity to impart the value training needed to inculcate the strong organizational culture. This value training facilitates the development of close and trusting relationships between the salespeople and other employees of the firm. Salespeople learn that promotions will be restricted to present employees and the success of the firm is closely linked with their personal success.

H5: The level of trust between the salespeople and the firm is positively affected by a) the degree to which firm hires salespeople at entry level sales positions and b) the degree to which salespeople are promoted from within the firm to the positions of a sales manager.

As indicated above, firms hiring a large percentage of salespeople at the entry level positions, have a greater opportunity to impart organizational values and inculcate strong organizational culture. Such value training leads to compatibility of goals and mutual trust, and results in lower turnover of the salespeople within the firm.

Previous research in salesforce turnover literature has indicated that salesperson satisfaction with promotion is an important factor affecting turnover (Lucas et al. 1987). Landau and Hammer (1986) have found that respondents who perceived that their organizations filled managerial positions externally (outside the organization) were less committed to their organizations, and were more likely to quit the organization. Anderson, Hair, and Bush (1988) point out that promoting good sales performers to managerial positions has definite motivating consequences for the salesforce. Promoting salespeople from within the organization not only allows the organization to retain the best salespeople but also increases the level of morale of the entire salesforce.

H6: The level of turnover in a sales force is negatively affected by a) the degree to which firm hires salespeople for entry level sales positions and b) the degree to which salespeople are promoted from within the firm to the position of a sales manager.

Effect of trust and turnover on opportunistic behavior

Opportunistic behavior within the transaction cost analysis framework is defined as “self-seeking with guile” (Williamson 1975). Examples of opportunistic behavior in a sales context are withholding information about the market, shirking on calls, failing to fulfill promises or obligations to the firm.

Salespeople engage in less opportunistic behavior when they feel that they have a trusting relationship with the firm. Under these circumstances, salespeople recognize that their rewards are linked to firm’s performance. By engaging in opportunistic behavior, they are reducing both the performance of the firm and their opportunity to receive rewards.

Higher rates of turnover in organizations result in disruption of communication patterns within the organization and lower levels of bonding and commitment to the organization (Mueller and Price 1989). As a result, salespeople are likely to be less confident of receiving rewards due to them, and therefore are more likely to indulge in opportunistic behavior.

H7: The degree to which salespeople engage in opportunistic behavior is a) positively affected by the turnover in the sales force and b) negatively affected by the degree to which a trusting relationship exists between the sales force and the firm.
Method

Data Collection Procedure

The relationships outlined in Figure 1 were tested by having key informants, senior sales executives, in a broad cross-section of firms complete a questionnaire. The questionnaire assessed the degree to which firms use policies such as promotion from within and hiring at entry level, their perceptions of antecedent factors affecting these staffing policies, and the consequences of such staffing policies. Thus, we test the framework by modelling the decisions made by sales managers in using the staffing policies.

A two-stage process was used to contact and obtain responses from sales managers and sales vice-presidents of U.S. firms (SIC 20,000 to 40,000) with annual sales exceeding $50 million. A summary of the findings was offered to each participating firm as an incentive. In the first stage, personalized requests to participate in the study were mailed to a random sample of sales managers and sales vice-presidents from a national mail list. A total of 266 firms agreed to participate in the study. The response rate from this initial mailing is difficult to assess because of problems with the sampling frame (incorrect addresses, individuals not working in the firm etc.). In the second stage, the questionnaire was mailed to the contact person at each firm (sales managers) with instructions requesting that the responses focus on one particular sales force. If the firm had multiple sales force, the respondent was encouraged to complete multiple questionnaires.

Three firms that provided questionnaires for multiple sales forces were treated as independent observations in the analysis as the respondents were different for each questionnaire. The procedure resulted in 161 completed questionnaires representing a 61% response from firms agreeing to participate in the study. While the sampling procedure did not insure a representative sample of U.S. industrial sales forces, the procedure and characteristic of the sample are similar to other widely referenced sales force studies (Peck 1982; Steinbrink and Friedeman 1983). In comparison with our sample, the Steinbrink and Friedman study had less experienced and lower paid salespeople. In contrast, the respondents to the Peck study had slightly larger salesforces and higher compensation. However, our sample is similar to both these studies and other salesforce studies in terms of annual sales per salesperson ($2.3 million), average age (39 years), and type of compensation plans (16% only salary, 8% only commission, and 76% mixed) (see John and Weitz 1989 for more details on the sampling plan and characteristics of the sample).

Measures

The scales used to measure the constructs are discussed below. All multiple item measures used to reflect the constructs used in this study are described in the Appendix. Thus, the items used to measure salesperson's trust (TRUST) and degree to which they engage in opportunistic behavior (OPPORT) and the transaction specific assets possessed by the salespeople are shown in the Appendix.

The first step used in item analysis and assessment of unidimensionality was exploratory factor analysis. All items representing salesperson's trust, opportunistic behavior and transaction specific assets were subjected to a factor analysis. The results suggested a three factor solution. The factors were then rotated using an orthogonal rotation procedure to obtain the best factor pattern. The first factor corresponded to salesperson's trust, the second to opportunistic behavior and the third factor to transaction specific assets. All items which loaded on the appropriate factor with the theoretically correct sign and whose loadings exceeded 0.4 were selected. Once unidimensionality was established, internal consistency was assessed via Cronbach's alpha.

Transaction specific assets (TSA) was measured using a 7 item scale assessing the uniqueness of the firm's procedures and the time needed by a newly hired salesperson to learn the firm's policies and procedures (John and Weitz 1989). This scale has been been used in prior studies and has high internal consistency (alpha = 0.71)

Difficulty in hiring salespeople (DIFHIRE) was assessed by the response to the following item, "It is difficult for us to hire salespeople," on a seven point scale anchored by strongly disagree and strongly agree. This scale is based on a single item and no reliability estimates were calculated.

Hiring of salespeople for entry level positions (ENTRY) was operationalized as the response to the following question, "What percentage of the new salespeople you hire are entry level, junior salespeople (versus experienced, senior level salespeople)?" The responses to this question were skewed toward 0 and 100% with many responses at 0, 10, 90, and 100%. Due to the unusual distribution of
these responses, a dummy variable (1 greater than 75% and 0 less than or equal to 75%) was used in the analysis. Twenty-four percent of the sample reported that more than 75% of their salespeople were hired into entry level positions. Additionally, a third dummy variable for firms that hired less than 25% of their salespeople into entry level positions was created. However, this dummy variable was not significant.

Promotion from within the firm (PROMO) was assessed by the response to the following question: "What percentage of the first line sales managers in this group (sales force) were promoted from field sales positions within your firm?" Since the responses were skewed toward 100% with many responses at 90, 95, and 100%, the measure was operationalized as a dummy variable (1 equal to or greater than 90% and 0 less than 90%). Sixty-five percent of the firms in the sample promoted 90% or more of their sales managers from within the organization. Previous studies (Osterman 1984) have shown similar skewed patterns with respect to the measurement of promotion from within the firm.

Trust (TRUST) was measured using a 4 item scale to assess the degree to which a mutually trusting relationship existed between the firm and its salespeople. All the 4 items loaded highly on this factor and exhibited high internal consistency (alpha = 0.78).

Salesforce turnover (TURN) was measured by the response to the following question: "What percentage of the salespeople in your sales force 12 months ago are no longer in your sales force?" This item captures the extent of voluntary leaving and dismissals within the organization.

Opportunistic behavior (OPPORT) was assessed using a 4 item scale indicating the degree to which salespeople engage in opportunistic behaviors. The items used in this scale have been used in other studies (John 1984) and have shown high reliability and validity. The coefficient alpha is 0.72.

Analysis and Results

The means, standard deviations, and the correlation matrix for all the measure are shown in Table 1.

The model shown in Figure 1 and outlined in equations 1 to 8 (Table 2) were estimated by using OLS and logit models. The logit models were used to estimate equations 1 and 2 that had dichotomous dependent variables.

The estimation of equations 1 and 2 provided partial support for hypothesis 1. Transaction specific assets possessed by the salespeople are significantly related to the promotion of sales manager from within the firm (b21 = 0.39, p < 0.05), supporting H1b. However, transaction specific assets are not significant related to the hiring of salespeople at entry level positions (b11 = -0.03, ns). Thus, H1a is not supported.

The results from the analysis provide support for H2, which indicates a significant positive relationship between the transaction specific assets possessed by the salespeople and the difficulty of the firm in hiring salespeople (b31 = 0.24, p < 0.01).

The results from the study do not provide any support for H3, which hypothesized a positive relationship between difficulty of hiring salespeople and the use of staffing policies. The results suggest that difficulty of hiring does not affect both promotion from within the firm and hiring of salespeople at entry level (b12 = -0.06, ns and b22 = 0.04, ns).

The estimation of equation 2 also indicates a significant positive relationship between hiring at entry level and promotion of salespeople from within the organization (b23 = 1.38, p < 0.05), thus supporting H4.

The estimation of equation 4 indicates a significant relationship between hiring of salespeople at the entry level and trust of the salespeople (b41 = 0.17, p < 0.05), while promotion from within the firm is not significantly related to trust (b42 = 0.09, ns). The results partially support H5.

The results from equation 5 do not support H6, which suggested a negative relationship between the staffing policies and sales force turnover (b51 = 0.05, ns and b52 = -0.08, ns).

Finally, results from the study provide support to H7. The degree to which salespeople trust the firm is negatively related to opportunistic behavior (b61 = -0.54, p < 0.001), while the level of sales force turnover significantly increases the opportunistic behavior (b62 = 0.26, p < 0.001).

Discussion

The results provide partial support for the model shown in Figure 1. Firms tend to promote their sales managers from within their organizations when their salespeople possess transaction specific assets. Firms that predominantly hire salespeople for entry level positions tend to have a more trusting relationship with their salespeople. A trusting
Table 1
Means, Standard Deviations and Correlations

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>S. D.</th>
<th>OPPORT</th>
<th>TRUST</th>
<th>PROMO</th>
<th>ENTRY</th>
<th>DIFHIRE</th>
<th>TSA</th>
<th>TURN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opportunistic behavior of the salespeople (OPPORT)</td>
<td>2.74</td>
<td>0.96</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Salespeople's trust in the firm (TRUST)</td>
<td>5.81</td>
<td>0.69</td>
<td>-0.55***</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Promotion of salespeople from within the firm (PROMO)</td>
<td>77.34</td>
<td>34.3</td>
<td>0.00</td>
<td>0.08</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Hiring of salespeople at entry level (ENTRY)</td>
<td>40.58</td>
<td>37.1</td>
<td>-0.11</td>
<td>0.16*</td>
<td>0.19*</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Difficulty in hiring salespeople (DIFHIRE)</td>
<td>2.97</td>
<td>1.66</td>
<td>0.10</td>
<td>-0.09</td>
<td>-0.11*</td>
<td>-0.05</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transaction specific assets possessed by the salespeople (TSA)</td>
<td>3.57</td>
<td>0.95</td>
<td>0.21**</td>
<td>0.10</td>
<td>-0.03</td>
<td>-0.23**</td>
<td>0.24***</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Sales force turnover (TURN)</td>
<td>8.71</td>
<td>0.26***</td>
<td>-0.01</td>
<td>-0.05</td>
<td>0.08</td>
<td>0.12</td>
<td>0.13</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

* Both PROMO and ENTRY represent raw data for promotion from within the firm and hiring at entry level.

* p < 0.1
** p < 0.05
*** p < 0.01

The relationship between the firm and salespeople results in lesser opportunistic behavior by the salespeople.

Support was not found for other parts of the model. The difficulty of hiring salespeople at the entry level did not affect the use of the two staffing policies, and the use of staffing policies did not influence the turnover of salespeople within the firm.

The lack of significant results and the low level of explained variance suggest limitations of the current model and offer ideas for future research in this area.

Limitations

The variance explained by the regression models to predict the staffing policies such as promotion from within the firm and hiring at entry level is low, i.e., less than 5%. This low level of variance may arise because we have only examined one of the many control mechanisms used by sales managers. Trust, turnover, and opportunistic behavior are certainly affected by the compensation plan, supervisory behavior, and company norms.

The current model investigates the impact of two
### Table 2
Estimation of the Model

<table>
<thead>
<tr>
<th>Entry Equation</th>
<th>Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>ENTRY = b_{10} + b_{11} TSA + b_{12} DIFHIRE</td>
<td>(1)</td>
</tr>
<tr>
<td>PROMO = b_{20} + b_{21} TSA + b_{22} DIFHIRE + b_{23} ENTRY</td>
<td>(2)</td>
</tr>
<tr>
<td>DIFHIRE = b_{30} + b_{31} TSA</td>
<td>(3)</td>
</tr>
<tr>
<td>TRUST = b_{40} + b_{41} ENTRY + b_{42} PROMO</td>
<td>(4)</td>
</tr>
<tr>
<td>TURN = b_{50} + b_{51} ENTRY + b_{52} PROMO</td>
<td>(5)</td>
</tr>
<tr>
<td>OPPORT = b_{60} + b_{61} TRUST + b_{62} TURN</td>
<td>(6)</td>
</tr>
</tbody>
</table>

1) Dependent Variable: ENTRY  
Chi-square(2) = 0.32

**Independent Variables**  
Coefficients  
TSA (b_{11}) -0.03  
DIFHIRE (b_{12}) -0.06

2) Dependent Variable: PROMO  
Chi-square(3) = 13.96***

**Independent Variables**  
Coefficients  
TSA (b_{21}) 0.39**  
DIFHIRE (b_{22}) 0.04  
ENTRY (b_{23}) 1.38**

3) Dependent Variable: DIFHIRE  
F (1,152) = 9.09***  \( R^2 = 0.05 \)

**Independent Variables**  
Coefficients  
TSA (b_{31}) 0.24***

4) Dependent Variable: TRUST  
F (2,151) = 3.39**  \( R^2 = 0.03 \)

**Independent Variables**  
Coefficients  
ENTRY (b_{41}) 0.17**  
PROMO (b_{42}) 0.09

5) Dependent Variable: TURN  
F (2,151) = 3.39  \( R^2 = 0.00 \)

**Independent Variables**  
Coefficients  
ENTRY (b_{51}) 0.05  
PROMO (b_{52}) -0.08

6) Dependent Variable: OPPORT  
F (2,151) = 44.1***  \( R^2 = 0.36 \)

**Independent Variables**  
Coefficients  
TRUST (b_{61}) -0.54***  
TURN (b_{62}) 0.26***

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* p < 0.10  
** p < 0.05  
*** p < 0.01
staffing policies, promotion from within and hiring at entry level. However, social control mechanism involves many more variables (such as grievance procedures, career ladders, etc.) which are not included in this model. Future research should include other major variables along with the variables related to the staffing policies.

This study relies on the response of senior sales executives to assess the degree to which the firm hires at entry-level and promotes from within the sales organization. The skewed response towards the higher end (75% and above) suggests that many respondents did not consult their records before answering these questions. Thus, the reliability of the measures of the staffing policies may be poor. The low level of turnover, 9%, also suggests a biased response.

Finally, our turnover measure did not distinguish between involuntary and voluntary turnover. Firms that hire predominantly at the entry level may have substantially more involuntary turnover than firms hiring more senior salespeople. Thus, the weak relationship between hiring at entry level and sales force turnover may be due to the offsetting impacts on voluntary and involuntary turnover. Although hiring at entry level builds more commitment in the salespeople and, thus, reduces voluntary turnover, entry level hiring is also more susceptible to selection mistakes leading to an increase in involuntary turnover. These offsetting effects result in a nonsignificant relationship between hiring at entry level and sales force turnover.

Directions for Future Research

In spite of the problems with the measurement, this study provides an impetus for future researchers to study the issue of promotion policies and hiring practices within sales organizations. Recent research in organizational theory and economics has addressed several empirical questions introduced in this paper. For example, Pfeffer and Cohen (1984) and Baron et al. (1986) have found empirical support for the relationship between transaction specific assets possessed by employees and internal labor markets, which are characterized by hiring at entry level and promotion from within the organization. Other researchers (London 1983; Landau and Hammer 1986) have investigated the behavioral and motivational effects of internal labor markets on organizational commitment and intention to quit and have found significant relationships.

This paper introduces the notion that a salesperson's trust and commitment to an organization may be affected by factors other than financial incentives, supervisory behavior, and characteristics of the job. In fact, organizational policies such as promotion and hiring may play an important role in a salesperson's decision to remain in a firm. While this research does not provide conclusive evidence concerning when entry-level hiring and promotion from within is most appropriate, it does indicate that these staffing decisions are a promising area for future research. In addition to using archival data to reduce measurement error and considering other staffing policies, future research needs to examine the impact of these staffing policies from the perspective of the salesperson. Future research needs to address several issues that emerge from this study. Some of the issues are: do salespeople find it more attractive to work for firms that hire at entry level and promote salespeople from within the organization? Are they more committed to firms that practice such staffing policies? Do firms need to adhere rigidly to these policies to derive the beneficial effects or can firms practice these policies in most cases and still develop strong loyalty within their sales force?

This paper modelled the degree to which the staffing policies are used by sales managers facing different conditions under the assumption that managers are on average, making the correct decision. Future research needs to address explicitly the tradeoffs between the costs and benefits of the staffing policies by assessing the efficiency of sales forces using these policies compared to firms that do not use these staffing policies.

In addition to these staffing policies, future research needs to be directed toward the antecedents and consequences of other policies such as dual career ladders and the practice of rotating in-house staff through field sales positions.

References


### Appendix 1
Measures Used in the Study

<table>
<thead>
<tr>
<th>Measure</th>
<th>Means</th>
<th>Std. Dev.</th>
<th>Item to total correlation (corrected)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Opportunistic behavior by the salespeople (OPPORT)</strong>&lt;sup&gt;1&lt;/sup&gt;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. These salespeople occasionally alter their report in small ways</td>
<td>2.75</td>
<td>1.36</td>
<td>0.49</td>
</tr>
<tr>
<td>2. These salespeople alter their call reports so that they look better.</td>
<td>2.78</td>
<td>1.34</td>
<td>0.49</td>
</tr>
<tr>
<td>3. When dealing with the company, these salespeople are candid about</td>
<td>2.70</td>
<td>1.16</td>
<td>0.54</td>
</tr>
<tr>
<td>4. These salespeople do not try to game the system.*</td>
<td>2.71</td>
<td>1.32</td>
<td>0.49</td>
</tr>
<tr>
<td><strong>Coefficient Alpha = 0.72</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Salespeople's trust in the firm (TRUST)</strong>&lt;sup&gt;2&lt;/sup&gt;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. If these salespeople perform well, they know they will be</td>
<td>5.86</td>
<td>1.02</td>
<td>0.34</td>
</tr>
<tr>
<td>2. These salespeople generally have a good personal relationship</td>
<td>5.85</td>
<td>0.85</td>
<td>0.54</td>
</tr>
<tr>
<td>3. We trust these salespeople to be fair and honest with us.</td>
<td>5.93</td>
<td>0.86</td>
<td>0.68</td>
</tr>
<tr>
<td>4. These salespeople feel that the company has been fair and honest</td>
<td>5.61</td>
<td>1.01</td>
<td>0.56</td>
</tr>
<tr>
<td><strong>Coefficient Alpha = 0.78</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Transaction specific assets (TSA)</strong>&lt;sup&gt;3&lt;/sup&gt;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Our company procedures compared to other companies’ are</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) simple / complex</td>
<td>3.1</td>
<td>1.6</td>
<td>0.58</td>
</tr>
<tr>
<td>b) Fast / slow</td>
<td>3.1</td>
<td>1.7</td>
<td>0.52</td>
</tr>
<tr>
<td>c) Standardized / unstandardized</td>
<td>3.4</td>
<td>1.8</td>
<td>0.23</td>
</tr>
<tr>
<td>d) Informal / bureaucratic *</td>
<td>3.3</td>
<td>1.7</td>
<td>0.30</td>
</tr>
<tr>
<td>2. It is hard for a new salesperson in this company to get something</td>
<td>2.4</td>
<td>1.5</td>
<td>0.46</td>
</tr>
<tr>
<td>3. In our company, it helps tremendously if a salesperson has been</td>
<td>4.4</td>
<td>1.8</td>
<td>0.37</td>
</tr>
<tr>
<td>4. It takes time for a newcomer to our firm to learn all the ins and</td>
<td>4.5</td>
<td>1.6</td>
<td>0.46</td>
</tr>
<tr>
<td><strong>Coefficient alpha = 0.71</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Legends**

1 and 2: 7 point Likert Scale anchored by "strongly disagree" and "strongly agree"
3: Items 2, 3, and 4 are 7 point Likert Scale anchored by "strongly disagree" and "strongly agree"
4: 5 point semantic differential scale
* Reversed item