

Heterogeneous Salespeople Turnover and Differential Compensation

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Abstract

Talented salespeople play a crucial role in the performance of sales organizations. Sales organizations recruit and retain high-performing salespeople not just because they are the main sales generators, but also because their mobility to a competing organization may negatively affect their competitive position. Typically, access to talented salespeople as a strategic resource in the external environment has an impact on the dynamics of the employment relationships such as turnover and compensation. Surprisingly, this issue has been largely overlooked by sales scholars. Drawing on the human capital and compensation elements within sales forces literature, I investigate the effect of salespeople's geographic concentration on turnover and compensation structure of sales organizations. Analyzing a large-scale administrative panel of more than 32,000 sales organizations over four years (2005-2008), I find that organizations located in regions with low concentration of salespeople can alleviate the turnover of high performers (HPs); however, this comes at the cost of greater compensation dispersion. Conversely, organizations may benefit from matching advantages of occupationally concentrated areas by identifying their best fit of salespeople, while at the same time keeping the compensation dispersion low.

Keywords: *geographic concentration; differential compensation; heterogeneous salespeople*

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