

# **Employee Turnover Reduction through Human Asset Management**

## **Case Salesgroove Oy**

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<p>The aim of this study is to discover applicable methods of reducing the employee turnover rate of Salesgroove Oy through improving certain aspects of its human resource practices. The main objective is to develop a recruitment, training and compensation and motivation strategy for the company that would help it identify and thereafter assist in retaining talented employees around which it can continuously build an efficient sales force which would ultimately lead to an increase in the organization's overall performance.</p> <p>The study consists of two main sections: literature review and empirical study. In the literature review relevant theories are presented beginning with a discussion about the importance of designing a sales force before delving into the recruitment process, including job description, communication channels and interviewing and selection, and the significance that a structured training method provides. This is followed by the role that compensation and motivation of employees plays in human resource practices.</p> <p>The empirical study was conducted with the help of qualitative interviews with an appreciative inquiry dimension in which twelve employees of Salesgroove Oy were interviewed and their responses collected and analyzed. Based on the information received through the interviews and the examination of aspects of the human resource practices of similar company which operates in another country conclusions that were drawn and suggestion were then made.</p> <p>The findings of this study revealed the reason for the high employee turnover rate and identified methods that can be used to improve the recruitment, training and compensation and motivation efforts of Salesgroove Oy.</p>	
<p><b>Key words</b> Recruitment, job description and qualification, training, compensation, motivation, human resource management and practices, telemarketing/sales, on-the-job training (OJT)</p>	

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### Appendix 1. Interview Questions

# **1 Introduction**

Regardless of the advancements in technology and machinery people must be available to operate them, which makes maintaining an effective workforce essential to the success of a business, especially one that operates in a sales industry that is customer service driven. This fact should make employee recruitment, guidance and retention a primary objectives for any company, especially ones which operates in a business field in which customer sales is difficult, client retention is low and employee turnover is high. While it is hard for a company to change the difficulties associated to closing sales deals and retaining clients it can improve its performance in these areas by utilizing a strategy to attract the right personnel for the job.

This study concentrates on developing a strategy to assist the focus company, Salesgroove Oy, in decreasing its employee turnover to retain talented individuals in order to attain its strategic objectives and goals. The research contains two main sections, the theory and the empirical study. The theoretical segment creates an overall understanding about concepts that have an affect the employee retention rate of an organization, namely the recruitment and selection, training, and compensation and motivation efforts of the company.

The empirical study is developed through data gathered from qualitative interviews conducted with various staff members of the Salesgroove Oy who are involved in the sales of the company's client's products. Based on the collected data conclusions are drawn and suggestions developed regarding how specific human resource practices can used to help reduce the employee turnover rate of the organization. In addition, the study also includes an overview of the focus company and its service offerings as well as aspects of the human resources practices, to use as a comparable benchmark, of a company of similar size that operates in the same industry though in another country.

## **1.1 Objectives and scope of the study**

Human resource activities are unquestionably some of the most difficult practices to methodically and strategically implement in an organization. The different factors that affect the outcome of certain company procedures are made more complicated by the involvement of the subjective nature of people. Discovering the strengths of an approach with standardized applications would help companies design an appropriate system tailored to its specific needs with the human factor in mind. In this case, the focus company, Salesgroove Oy, is in dire

straits due to the fact that the company has a very high turnover employee rate. This situation has continued to limit the company's efficiency and productivity as well as its ability to fulfill all its clients' business development needs.

Since its inception, Salesgroove Oy has struggled to maintain a talented work force which has hampered to efforts to diligently serve its clients and develop into a successful business. The company operates in the telemarketing/sales industry where according to The Global CC Community (2009) the average turnover rate is roughly 45%, which is the biggest problem facing companies in the field impacting their cost and the quality of the service they can offer. Non-competitive compensation, high stress, unpleasant physical or interpersonal working conditions, monotony, poor direct supervision and limited chances of carrier advancement are some of the factors that it is believed has continuously drained the working talent of such companies.

As the company is still in its infancy stage and is relatively small in comparison to others in the industry, it is believed that by addressing and finding a solution for this issue the company would have the opportunity to curtail or eliminate the expansion of this situation in the future. This though must begin with the examination of certain aspects of the human resource practices of Salesgroove, which must be revamped in order to manage and maintain and improve the human assets of the organization. This calls for human resource practices to be aligned with and reflect the strategic goals and objectives of the company, which could cultivate a participative culture in the organization, increase worker morale and efficiency and create an image for the company to use to attract and retain talented employees. (Becker, Huselid & Ulrich 2001, 30.)

In order to accomplish its strategic goals and objectives, Salesgroove must attract and maintain a high potential work force that possesses a high level of aspiration, value and ability to succeed. Attracting and retaining such talent with the limited resources available to the company especially without an established set of human resources management approaches to properly identify and nurture such personnel has proven to be difficult. This is the aim of this research, to establish a set of practices to properly recruit, train, compensate and motivate talented employees in an effort to reduce the employee turnover rate of Salesgroove Oy, wherein the company can retain critical talent around which it can continually design a successful sales force.

The objective of this study is to examine the human assets and employee management of Salesgroove Oy, mapping of the recruitment and selection process, the training methods as well as the compensation and motivation side of the telemarketer/sales position. This is to reveal the possible flaws in these areas where suggestions for improvement could be recommended. In addition certain facets of the human resource practices of a comparable company will be examined to determine benchmarking possibility that may be useful in the case of Salesgroove. One foreseeable hurdle for this project is the difficulty of surveying a fluctuating employee base which may prejudice the findings.

The immediate benefit to conducting this research is that employees will be able to recognize that management is aware of the company's issues and have taken steps to remedy them. Another is that the design of the study will allow employees to appreciate the positive characteristics of the company and provide an invigorating source of company pride they may be unaware of. But the primary advantage is that the findings can identify a solution to the high turnover rate of the company and help it retain talented employees the company can use as a building block to maintain an effective work force.

## **1.2 Research Questions of the Study**

Since this study focuses on employee turnover reduction through human asset management, centering on the recruitment and selection, training, and compensation and motivation of the staff of Salesgroove Oy the following research question and sub-questions are developed:

- How to decrease employee turnover to meet the needs of the company
  - What is the role of recruitment, selection, training, compensation and motivation in retaining critical talent
  - How retaining critical talent can bolster a company's performance

The outcome of this research supports the strategic goals and objectives of Salesgroove Oy by presenting key elements that the company can use to attract and retain talented individuals and create an image of itself through promoting a collaborative relationship with its employees. A second outcome is the implementation of a system designed to identify talented employees whose skills the company can further nurture. Therefore, the results of this study will provide the strategy tool for management of Salesgroove Oy.

The key findings and conclusions of this study are delivered in the form of a brief summary in addition to a concise guideline of the most important elements to consider when recruiting, training, compensating and motivating the staff of the focus organization. The outcomes of the research will be presented to the owner of Salesgroove Oy to allow him to familiarize himself with the exact problems the company has, the reasons for the problems and the steps that should be taken to elevate the situation through applying a robust model that will permit for the continual gathering of data that will help minimize employee turnover.

### **1.3 Structure of the Report**

The following chart illustrates the structure of this research. After a brief introduction the literature review is presented based on the writings of various theoretical researchers, along with the conceptual framework for the research. This is followed by the case company presentation and its human resource procedures in some detail after which the research methodology is reviewed. The fourth chapter presents the findings of the empirical research based on the interviews with the employees of the focus company which is followed by the section addressing certain aspects of the human resource practices of a similar company in order to compare benchmarking possibilities. The final chapter illustrates the findings and conclusions that were drawn from this research.

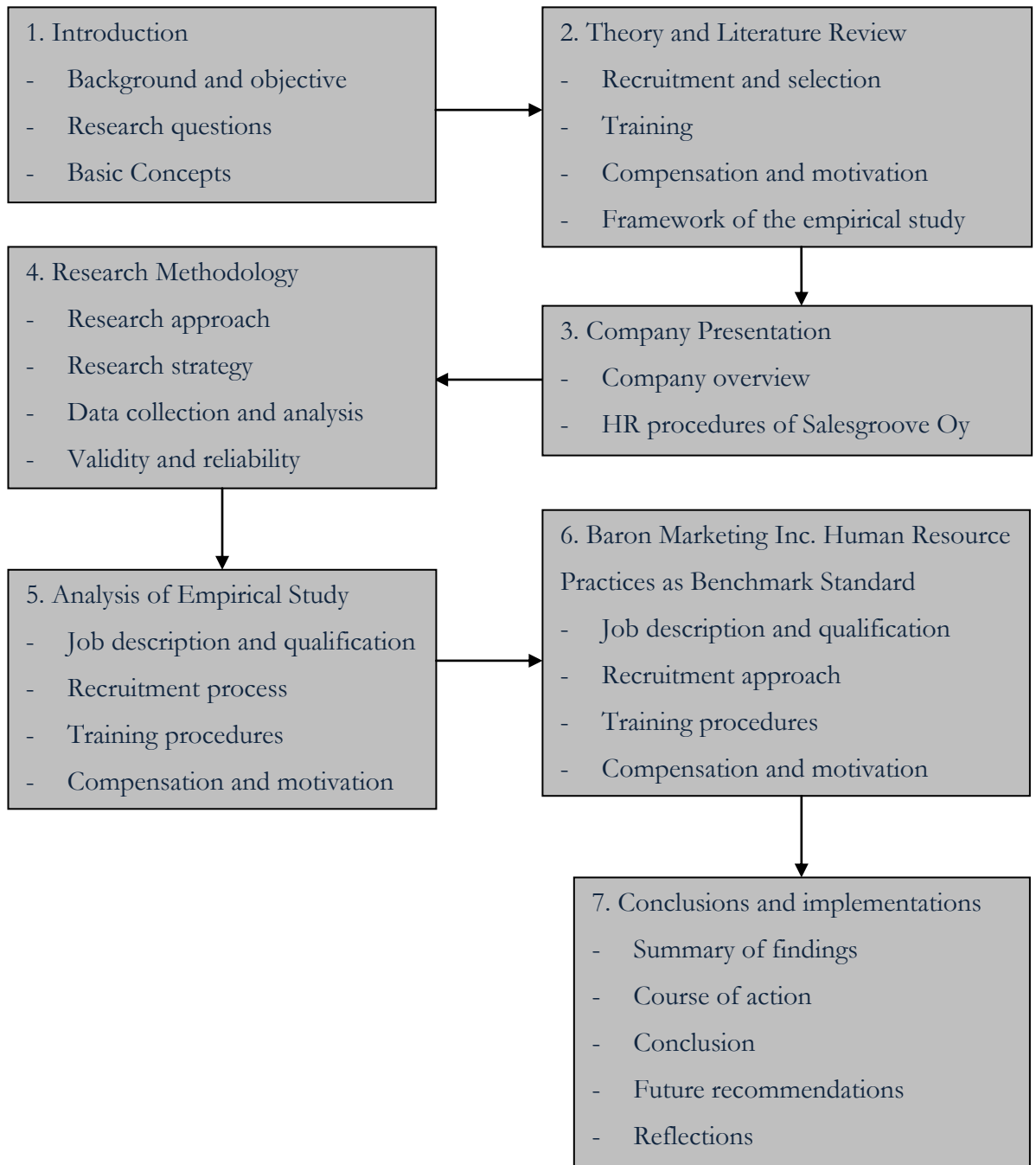


Figure 1. The structure of the report

## **2 Theories and Literature Review**

A high and consistent investment in the human capital of a company can not only provide a firm with a productive workforce but also increase its agility. By taking a systematic approach relevant to work systems and employment practices in human resource activities a company can seek to maximize the potential of its workforce while minimizing the ownership cost to itself. Implementing supportive actions such as employee recruitment, training, compensation and motivation can help the firm gain a sustainable competitive advantage by decreasing employee turnover and retaining talents workers. (Bohlander & Snell 2007, 4.)

In addition to other resources such as money, material and information, effectively managing the workforce of an organization through certain policies and practices can aid in the managing change, responding to the market, minimizing cost and adapting new technology (Bohlander & Snell 2007, 4). By developing the skills, knowledge, attitudes and behavior of employees a company can essentially design and control a working environment favorably for generating productive outcomes in areas like customer satisfaction, product quality, error reduction, employee time off and retention. Through fostering a culture, structure and system a company can improve its bottom line and at the same time help employees to realize their full potential and develop their own careers. (Mathis & Jackson 2006, 4.)

### **2.1 Designing the Sales Force**

While large businesses tend to have the resources that would enable them to methodically design a human resource system, small and medium sized firms are more inclined to rely on informal practices that mirror the company's values in regards to their HR procedures (Barrett & Mayson 2007, 309). Being unable, or at times unwilling to devote the resources necessary to tailor make a HR system, SME's for the most part focus more on selecting the right people for the job and then managing their activities while trying to convince them to remain loyal to the company by creating a family like culture (Harney & Dundon 2006). Because of this practice SME's rely heavily on their recruitment process to assemble a workforce that would be comfortable in an environment with usually few explicit strategies and policies in regard to human resource management (Andersen 2003).

“Recruitment is the process of locating potential individuals who might join an organization and encouraging them to apply for existing or anticipated job openings.” (Bohlander & Snell

2007, 180.) It is a grouping of activities geared towards finding and engaging people who are seen as possessing certain qualities that can legally meet the organization's needs that when applied effectively also fulfils the interests of the recruits (Armstrong 2009, 515). This demonstrates that at the heart of the realization of a firm's vision is the successful recruitment and selection of a talented sales force operation (Kotler & Keller 2006, 620).

In order for any firm to thrive and consistently meet and/or surpass its sales goals, the right mix of people in possession of certain desired qualities or matching a particular role profile must be recruited (Armstrong 2009, 515). This is due to the fact that since the difference between a typical sales person and a remarkable sales person can be very substantial getting the right combination of individuals who not only meet the work qualifications but the role traits is important the sales performance of the company. Taking this into account along with assertion that the top 27 percent of a sales force according one survey is responsible for more than 52 percent of the sales of the company, it is easy to surmise that hiring the wrong people is simply unproductive especially when the average annual turnover rate across all industries is already almost 20 percent. (Kotler & Keller 2006, 620.)

The sales force of an organization is the company from the perspective of most consumers since it is the entity through which information, services and products are delivered. This is one reason why surveys are constantly being conducted to figure out the best characteristics of a good salesperson. Lifestyle, attitude, personality traits and skills of sales people are frequently compared to sales performance to determine a correlation but the findings are inconclusive. Still, a priority list of desirable traits such as honesty, reliability, knowledge and helpfulness are constantly mentioned as characteristics of that customers find desirable in sales people, their worth is still questionable. (Kotler & Keller 2006, 620.) Additionally, sales people working in a very successful unit exhibit high levels of intrinsic and extrinsic motivation, sales support orientation and customer orientation (Baldauf, Cravens & Grant, 2002).

Regardless of the difficulty in ascertaining precisely what traits good sales people have Jobber (2007, 573) has wheedled such a list down to two, empathy and ego-drive. Empathy is the ability to hone in on and understand the needs of the customers, essentially making it easier to relate to and therefore convince customers to complete a transaction. Ego-drive on the other hand can be compared to the intrinsic and extrinsic motivation of a sales person to satisfy their personal gratification as well as receive public accolades and rewards associated with

succeeding. (Greenberg, Weinstein & Sweeney 2001, 48.) Other attributes according to Martin (2011) include:

- modesty and humility in order to avoid displaying an egotistical bravado that tends to alienate most customers,
- conscientiousness to provide a sense of duty and responsibility to getting results,
- achievement oriented to attain and exceed fixed goals by focusing on strategies that enable them to better understand their customers and the product deliverables,
- curiosity to ask the hard questions to gather the info that can be used to bridge the gap between the salesperson and the customer and to gain knowledge
- lack of gregariousness that allows a salesperson to exert a level of influence to direct a customer's decision since an overly friendly approach might be seen as weak,
- lack of discouragement helps in handling emotional disappointments, recovering from losses and mentally preparing for the next opportunity to succeed,
- lack of self-consciousness reduces bashfulness and inhibitive behavior that makes a person easily embarrassed and unable to compel customers into a sales decision.

(Martin, 2011)

## **2.2 The Phases of the Recruitment Process**

The need for replacement employees who may also possess unfamiliar useful skills that may prove to be vital to the continual growth of a company makes effective recruitment a key element in HR structure (Torrington, Hall & Taylor 2008, 146). So while a business's management practices, the training, leadership, remuneration and motivation of its sales force are effective drivers for higher performance the quality of the raw material being developed must already good (Donaldson 2007, 188). Additionally, since the effective recruitment of high potential sales people is cheaper than the hiring of inexpensive average personnel resourceful managers are regularly scrutinizing theories to discover new approaches to assist in their recruitment efforts (Jobber 2007, 572). The process as described by Jobber, Kolter and Keller, and Bohlander and Snell and others including Pilbeam and Corbridge (2006) is as followed:

1. Prepare a job description and personnel qualifications
2. Identify and select the recruitment sources and communication methods
3. Develop the application form and screen and prepare a shortlist (selection)
4. Conduct interviews

## 5. Extend an offer of employment

(Pilbeam & Corbridge, 2006)

### 2.2.1 Job description and qualifications

The expenses associated with recruiting a new employee to a company can be drastically reduced if only qualified candidates applied for the vacant position. For this reason a job description and qualifications becomes the cornerstone on which the recruitment effort is based since it serves as the first line of defense for the company against inadequate applicants. It is a filter to reduce the number of applicants while saving the company the time and money it takes to interview, review, shortlist and extend a formal employment offer to a desired candidate. (Torrington et al. 2008, 146.)

A job description can be defined as a statement of the tasks and duties to be performed and their relative importance along with the responsibilities associated with a specific position (Donaldson 2007, 192). It usually includes the job title, the requirements, geographic area to be covered, and the degree of independency given to the salesperson. It acts as a blueprint for the job to provide assistance and clarification on the “who” or type of person the company is seeking (Pilbeam & Corbridge 2006, 147). According to Donaldson (2007, 192) a good job description should be:

- Written to allow for a high degree of comprehension, cooperation and motivation.
- Accepted by workers in the same section, direct managers and senior management to ensure that central tasks and evaluation criteria of the position are agreed upon.
- Specific in terms of activities and desired deliverables such as call rates
- Comprehensive to include the key areas of the job as well as the performance evaluation measures that are used to appraise the work results.

(Donaldson, 2007, 192)

While the description of a job can be easily stated once an analysis of the position is completed, the job qualifications which deals with the personnel specifications can be complicated because of the social and legal implications that are associated with it (Torrington et al. 2008, 146). It is a statement of the knowledge, skills, abilities and characteristics (i.e. the required degree, work experience, language skills, licensing and other work related knowledge) required for the effective execution of the job which can be used to dissuade unqualified applicants from

applying. This though presents a fertile ground for the introduction personal prejudices, subjectivity and arbitrary criteria, which apart from not serving the interest of the firm may result in legal ramifications if for instance they violate discriminatory laws. (Pilbeam & Corbridge 2006, 148.) To avoid such issues Donaldson (2007) suggest a firm should:

- Decide on the most important aspects of the job
- Identify essential criteria
- Identify preferable criteria
- Translate these into education, qualifications, experience and other attributes
- Assess validity and reliability (reliability is measuring accuracy and validity is whether the factor is a good indicator of future performance)

(Donaldson 2007, 196)

According to Pilbeam and Corbridge (2006, 148) while the job description and person specification are necessary components of the recruitment process, they are often written so unclearly and ambiguously that they are at times of little actual use in the process. Another factor that deserves reflection is that corporations are rapidly changing while the description and qualifications of a job only presents a snapshot of a position at one point in time and are seldom updated. (Pilbeam & Corbridge 2006, 149.) In order to clarify job descriptions and qualifications Futrell (2001) suggest a firm should do the following:

- State the job objectives clearly in the form of objectives (exactly what the sales personnel actually do)
- List the tasks required to be performed
- Differentiate between routine and essential duties
- List alternative methods of performing established tasks
- Specify criteria on which successful performance will be based
- Specify favorable and unfavorable conditions for the accomplishment of goals
- Specify general information regarding the job (i.e. title, salary, supervisor, etc.)
- List work qualifications, education, desired experience required, skills
- Develop method for validating job analysis

(Futrell 2001, 172)

## 2.2.2 Methods of recruitment and communication techniques

There are a variety of potential sources that can be utilized in the search for new salespeople once the pre-recruitment activities are completed. These sources can vary with respect to their adequacy and reliability in recruiting the most promising candidates for sales positions, not to mention their cost effectiveness. (Donaldson 2007, 196.) A good recruitment strategy will take a systematic approach to this problem to ensure that the most appropriate methods are utilized based on distinct circumstances related to the job and the firm (Torrington et al. 2008, 150).

Internal recruitment and promotions, which both includes filling a position with a current employee, are effective methods of employee recruitment. They save the company money it would invest on external recruitment efforts and the employee would already possess knowledge of the company, product or services and procedures which would simultaneously lessen the training period the person needs. (Torrington et al. 2008, 149.) Unfortunately, such tactics are rarely available to small companies because of the limited amount of employees and the usually flat hierarchal organizational structure. Additionally recruiting internally means the pool of talented candidates is limited and could lead to an inbreeding of ideas and attitudes. Whereas outside candidates can bring in an influx of new and sometimes better ways of working, technical and practical knowledge into an organization which can prove vital to the company and at the same time prevent “employee cloning”. (Bohlander & Snell 2007, 194.)

A great way for small organizations to take advantage of its current workforce in a low-cost and effective manner is to utilize the employees in obtaining potential candidates to fill a vacant position. Referrals are one of the most widely used resource through which people attain employment. Candidates found through these personnel recommendations usually have a positive image of the job and the organization, though it may be through the subjective perspective of the referrer. Additionally, these candidates are more likely to work diligently to demonstrate that the recommendation was a good one. (Donaldson 2007, 197.)

Another avenue a company can take is a passive approach to recruitment. Here, candidates send in unsolicited applications, which are a good source of intelligent and motivated people who may be in the possession of unfamiliar skills that may prove to be useful to the growth of the organization. (Torrington et al. 2008, 150.) Unfortunately, sometimes companies are either inundated or receive far too little of such applications based on the unemployment rate at the

time. Still, these unsolicited submissions for employment should be assessed on the same basis as applications received from other sources (Donaldson 2007, 197).

The outside sources that employers utilize to recruit employees vary based on the condition of the labor market and the type of position that is to be filled. Using external sources of recruitment can be expensive and time consuming but it will allow the company to acquire and draw from a large pool of candidates. (Bohlander & Snell 2007, 181.) Conventionally, these included advertisements (i.e. print, radio and television), educational institutions, employment agencies, apprenticeships and on-the-job-training (OJT) and governmental agencies. Today though corporate websites, commercial job board internet sites and now social media network sites have to be included because of the traffic they generate. (Torrington et al., 2008, 150.)

According to Torrington et al., (2008, 150), advertising, especially local press, is one of the most utilized and effective means of recruitment. Such a campaign when properly planned can be a very valuable technique for obtaining a large number of applicants for an organization. The most used media advertising method is newspapers and trade journals, but radio, television, billboards, posters, flyers and electronic mails are also utilized. Still, because written advertisements can highlight the major assets of a job while showing the openness of an organization and conveying the recruitment information more accurately and with completeness, it is perceived as the most effective of these. (Bohlander & Snell 2007, 183.)

Companies should be careful in their advertisement efforts since they can receive hundreds of applications based on the medium they use, the organization and job-specific circumstances. This could overwhelm the human resource department or hiring manager and possibly prevent the search from producing the best candidate for the position. Therefore, the careful use of advertising to attract applicants is necessary since in most cases it is not about the volume of candidates who apply for the position, it is about the quality of the response to the recruitment effort. (Donaldson 2007, 198.)

Employment agencies and recruitment consultants, which are motivated strictly by profits, are regarded as expensive sources of recruits but worthwhile considering the cost associated with handling the entire recruitment process internally. These firms normally offer a wide range of services that alleviates some of the pressure associated with hiring new employees, including administrative tasks, candidate attraction and application of pre-selection criteria. Unfortunately, employment and recruitment agencies are usually not familiar with the practical

workings of a firm and cannot ascertain the suitability of an applicant beyond their listed specification. (Pilbeam & Corbridge 2006, 156.) Also, workers in such companies are often paid on a commission basis which may muddle their priorities and drive them to encourage job seekers to accept positions that are not suitable for them and may turn out to be a disappointing employee for the recruiting organization (Bohlander & Snell 2007, 188).

Another recruitment avenue that firms can venture down is the public employment agencies and career centers, which offer services similar to those of a private employment agency, but at no cost to either the employers or the candidates (Pilbeam & Corbridge 2006, 157). Such agencies are established by the local governments to assist people collecting unemployment insurance obtain employment and like in the US have developed a nationwide computerized job bank that catalog job openings that companies have listed with the agency. Unfortunately, their services are generally not tailored to the needs of the employers (Bohlander & Snell 2007, 188). Rather, job openings made aware to these agencies are listed in their job bank and are available for all their customers (unemployed job seekers) to see and apply to unless the recruiting firm has stipulated that their contact information is not made presented in which case referrals are made through over burdened job counselors (Pilbeam & Corbridge 2006, 157).

Educational institutions such as universities, colleges and technical trade schools are a rich source of intelligent and competent applicants. A partnership with such entities through professional networks with teachers, lecturers and advisors can supply an abundance of fresh recruits to choose from for the company and give the school a reputation of having a high post graduate employment record which will attract more students in the future. (Pilbeam & Corbridge 2006, 158.) Regrettably, applicants often lack the work experience desired by companies and they generally have a low appreciation of what certain positions entail, such as sales. Furthermore, people do not stay with their first employers for very long, which could actually be mutually beneficial for both parties. (Donaldson 2007, 197.)

An alternative recruitment method is temporary employment measures, which can be beneficial to both the employees and employers. It gives the candidate time to prove their worth to an organization within an established period while allowing companies the opportunity to see the quality of the work an individual can produce and the foresight to determine if a permanent commitment to a person should be extended. At the same time, though it is a cost cutting practice, some legal entanglements such as permanent workers being labeled as “temps” can occur. (Bohlander & Snell 2007, 190.) Still with some employment agencies providing training

and development opportunities to make individuals more attractive employers it is a viable option for many corporations today (Pilbeam & Corbridge 2006, 156).

The role of internet recruitment has become paramount to any recruitment effort especially for SME's and multinational corporations since it allows for companies to advertise jobs inexpensively to a potential audience of millions (Torrington et al.. 2008, 156). The approach is equally cheaper, faster and more effective for both companies and applicants and creates a channel through which more detail about the job and the firm can be provided which could not be accomplished through conventional recruitment methods. In addition, corporate Internet sites allow applicants to submit their resumes and complete an application electronically. (Armstrong 2009, 524.)

The use of Internet recruitment also carries with it the benefit of speed since people can respond to an opportunity of employment within seconds to reading the posting (Torrington et al. 2008, 156). Online processes can drastically reduce the HR time required to generate a pool of suitable candidates because it can screen applications and administer some selection tests. In addition to the cost cutting effects, relative ease of updating web sites compared to conventional sources, and benefit of creating an easily managed resume and personal profile bank, advertising on the Internet also makes it possible for corporations to reach potential candidates who are not actively looking for a job (Pilbeam & Corbridge 2006, 155.)

Like the conventional methods of recruitment, the use of the Internet also comes with some pitfalls, primarily due to the fact that too many irrelevant or poor candidates apply for an open position which ends up inundating the a company's system (Armstrong, 2009, 524). Another problem is the issue of anonymity which the Internet offers. To combat the issues facing a company's Internet recruitment efforts, there has been an increase in the number of online recruitment companies that have sprung up since the success of Monster.com. These specialist media sites, like Top Jobs, Total Jobs, Career Builders, etc. offer their assistance to firms for a fee to advertise a job listing on said site. (Pilbeam & Corbridge, 2006, 154.)

A truly revolutionary manner in which companies are utilizing the Internet to help in their recruitment efforts today is through online social media networks. Employers are using such sites as a valuable tool to help build their employment brand and awareness, target top talent with large a range of skills sets and expand the depth of their network. Sites like LinkedIn enables employers to create a presence on these sites that reflects their organization's values

through a company profile and set up feeds of information, such as job postings that can be viewed by anyone who follows them. Other social media sites, such as Twitter and Facebook that were originally geared towards personal communication have been morphed into a tool that is being used for business branding as well as sourcing, screening and background checking potential employees. (Heathfield 2012.) But, companies must be mindful of the types of information, that though they can find on such sites about candidates, they use in the recruitment process (Quast 2012).

One study (Avlonitis et al. 1986) ranked the most important sources of recruits in order as: advertisements, personal contacts, employment agencies, in-company transfers, educational institutes and others (Donaldson 2007, 197). However, as of 2010, a survey conducted by the Chartered Institute of Personnel and Development reported that the most effective recruitment methods as conveyed by employers were the organization's own corporate websites and online recruitment agencies which clearly demonstrate the emergence of the Internet as the dominate source of recruitment (Chartered Institute of Personnel and Development 2010, 4).

While the sources of recruitment can vary which affects the money that corporations invest in such ventures, there are common problems that should be avoided. These problems include a lack of planning in the recruitment approach, a failure to measure feedback on performance and a lack of commitment by senior management as well as a 'knee jerk' reaction by organization influenced by immediate needs or narrowly focused opportunity regarding staffing needs. (Donaldson 2007, 199.) Ultimately, to carry on a successful campaign corporations should also utilize their internal sources in conjunction with some chosen external means to maximize the response (Pilbeam & Corbridge 2006, 151).

### **2.2.3 Application form and screening**

Once the recruitment process has been completed and in some cases, still ongoing, the examination of the application forms, which is the first step in the screening and selection process, begins (Pilbeam & Corbridge 2006, 175). Whether the application form is in traditional paper format or an online electronic version it provides a quick and systematic way of obtaining various information the applicant. In addition it makes it easy to see if the applicant meets the minimum work experience, education and skills requirements for the job. The background information that it provides can also be used as a basis for questions during an interview and it usually contains sources for reference checks, criminal convictions, disabilities and working

status. (Bohlander & Snell 2007, 250.) It also serves a good source through which to check the validity of the contents applicants place in their resumes (Torrington et al. 2008, 172).

Pioro and Baum (2005) suggested the following steps to make an application form more effective:

- decide what the criteria for selection are and how these will be assessed by use of the application form
- keep questions clear, relevant and non-discriminatory
- ask for only the bare minimum of personal details
- widen your pool of applicants by offering different options and guidance for completing and viewing application forms

(Armstrong 2009, 529)

Once a review of the candidate application forms have been completed the screening and selection process, which is an ongoing process since turnover inevitably occurs can begin. The aim of the screening and selection process is to appraise the suitability of applicants according to an established criteria and predicting how well said applicants can carry out a role successfully. It involves deciding if an applicant's attributes in terms of their competencies, experience, qualifications, education and training, knowledge, skills and abilities meet the specification established by the organization. The screening dimension of this process is heavily reliant on the job description and specification which was produced after the analysis of the job. This is what helps to identify the individual competencies employees need to succeed. (Bohlander & Snell 2007, 244-245.)

While recruitment activities attract applicants, the screening processes serves to filter application to determine the best applicants who should be considered candidates for the job. It should always take into account accepted ethical standards, including privacy and confidentiality, as well as legal requirements. (Bohlander & Snell 2007, 246.) This creates a 'shortlist' of candidates, which can then be further wheedled down to the most suitable choices (Donaldson 2007, 199). According to Torrington et al. (2008, 171), the choice of the combination of selection methods is dependent upon a number of factors:

- Selection criteria for the post to be filled (i.e. group assessment for managers)
- Acceptability and appropriateness of the methods for the candidate involved

- Abilities of the staff involved in the selection process (only qualified staff should conduct any test or assessment procedures)
  - Administrative ease (availability of qualified staff to conduct test, interviews or evaluate candidates)
  - Time factors (i.e. job needs to be filled within a certain period)
  - Accuracy (selection of the appropriate methods)
  - Cost (i.e. tests, interview, background check)
- (Torrington et al. 2008, 171)

Based on the factors mentioned by Torrington et al. (2008), a choice of selection methods can be determined. Usually a combination of two or more methods is generally used in order to maximize the effort a company's investment during the recruitment process, whether it is ongoing or sporadic. (Torrington et al. 2008, 171.) The perfect combination of selection methods is unrealistic, but as long as informed choices are made and an understanding of the limitations is appreciated it is reasonable that the process will produce the results desired by a corporation with the successful hiring of the most suitable candidate to fill a vacant position with the company (Pilbeam & Corbridge 2006, 175).

The selection process is well portrayed by Bohlander and Snell:

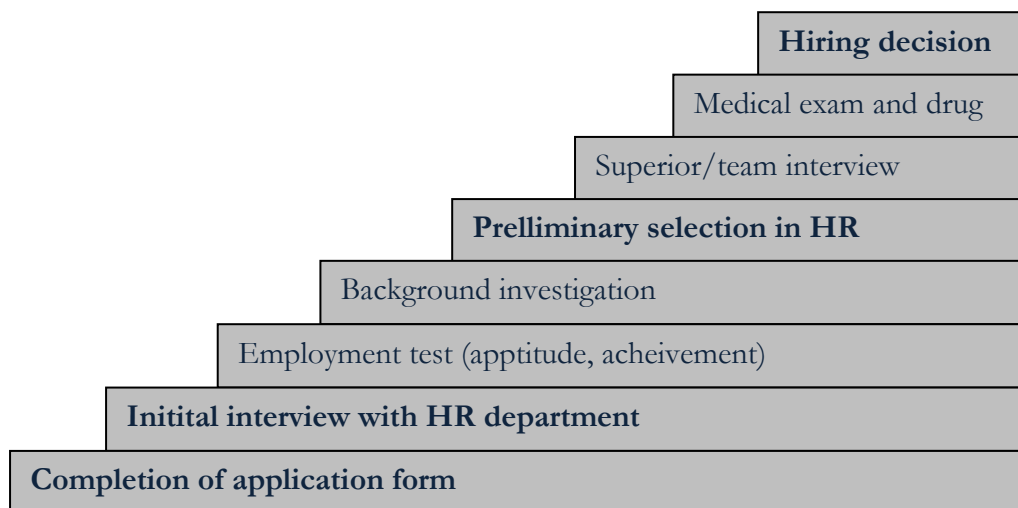


Figure 2. The steps of the selection process. Steps may vary. An applicant may be rejected or remove themselves after any step in the process (Bohlander & Snell 2007, 246).

## 2.2.4 Interview stage

The screening and selection processes, which is a continuous practice to combat turnover either through internal or external means, allows corporations to easily compare the suitability of candidates to determine which applicants are appropriate for the interviewing stage of the hiring process (Bohlander & Snell 2007, 245). Interviews can take on different forms, namely the one-on-one interview, panel interviews and group interviews, and when coupled with the information obtained from the application forms and resumes of applicants, it is a productive tool to determine the best candidate for a job (Pilbeam & Corbridge 2006, 181). But, this process, which usually consist of a screening interview and a selection interview, is very expensive because of the time and resources needed to conduct one (Donaldson 2007, 201).

Traditionally, the interview has been such a crucial element in the hiring process that it is rare to find instances when candidates have been hired without going through one (Bohlander & Snell 2007, 266). It is a social encounter between a job applicant and a representative or representatives of an organization which personalizes the recruitment and selection process (Pilbeam & Corbridge 2006, 179). At its core an interview serves to provide a clear and valid impression of the strengths and weaknesses of each candidate in regards to personnel specification (Jobber 2007, 573). They aim to answer the fundamental questions of:

- Can candidates do the job – are they competent?
- Will candidates do the job – are they well-motivated?
- How will individuals fit into the organization?

(Armstrong 2009, 541)

The fact that interviews generally involve a face-to-face interaction between at least two people means that the process is beset with problems of subjectivity and personal biases (Pilbeam & Corbridge 2006, 180). Still, while the judgment of different interviewers may vary drastically, which would inevitably affect the quality of the hire, interviews remain a practical means of assessing a number of applicants. (Bohlander & Snell 2007, 267). However, while it is an integral part of the selection process it is not always reliable as a means of predicting success in a job (Armstrong 2009, 541).

There are two interviews that are likely, especially in sales jobs, to take place based on the type of organization and industry, they are screening interviews and selection interviews. Screening

interviews, which are usually formal in structure, are geared towards verifying and clarifying the details found the application forms. They aim to assess the skills, experience and knowledge of the applicant and are usually conducted by first-line managers in order to save senior management time. Selecting interviews by contrast are aimed at measuring the aptitude, personality and suitability factors possessed by the candidate relative to the job's requirements. (Donaldson 2007, 201.) The following criteria may be used for both interviews:

- physical requirements (speech, appearance)
  - attainment (educational attainment, previous sales success)
  - qualities (drive, ability to communicate)
  - disposition (maturity, sense of responsibility)
  - interests (any interest that may have a positive impact on building customer relationship)
- (Jobber 2007, 573)

### **2.2.5 Supplementary Selection Aids**

Apart from interviews, Jobber (2007, 573) suggest that supplementary selection aids can be used by companies to help them in the recruitment process. Psychological tests, though heavily criticized on the grounds that they measure personality traits or interests and cannot predict sales success have been utilized by many firms along with role playing, which can gauge the potential of applicants, especially in making short-term sales. Jobber (2007, 573.) Similarly, intelligence test, which are reasonably objective, are also used but are not accurate indicators of potential success as many sales managers have pointed out some of their most successful salespeople have scored lowest on such tests and were recommended to work in lesser remedial positions (Donaldson 2007, 202).

### **2.2.6 Decision Making and Informing**

The attractions of applications is followed by efforts to reduce and reject unsuitable applicants through a valid and reliable selection method to decrease amount of candidates to a selected few who are deemed worthy for employment with the organization. The decision of hiring a particular person is based on the assessment of the candidates. An analysis of the most suitable individuals based on their the details in their application form, references, interview(s), testing results and work sampling (if any), and biodata, which includes job stability, interest, non-academic educational experience, accomplishments and behavioral profile must be conducted.

(Pilbeam & Corbridge 2006, 170-191.) Established assessment criteria can be then used to compare the findings upon which the decision of which candidate should be offered the employment opportunity can be based (Donaldson 2007, 203).

Once a decision is reached about which candidate(s) the company would like to hire, an offer of employment must be extended and include the main features of the employment, such as job, hours, start date, salary, benefits and so on. This offer of employment (whether in writing or in electronic form) will specify the conditions of employment and time scale the candidate has to notify the company of his/her decision to accept or reject the job offer. Through this informing process, information can also be collected to help integrate the candidate as an employee since it tends to be an open dialogue between both parties. It also give the candidate the opportunity to make inquires or voice concerns about the position or the organization. In the end, by informing the desired candidate of the employment offer first the company will be able to extend the job opportunity to other qualified candidates if the desired candidate rejects the job offer. (Pilbeam & Corbridge 2006, 196.)

### **2.3 Induction and Training**

Following the successful recruitment of an employee and continued dialogue between that candidate and the organization the process of introducing the new employee to the company and preparing them for their new role can begin. This is called the induction program and it is the cornerstone on which the employment relationship is built, transitioning a candidate to an employee. It provides an introduction to the working environment and position of the employee in the organization to enable he/she to become a useful, integrated member of the team as quickly and successfully as possible. The induction is also designed to help the new employee adjust socially to the organization, which may help in his/her productivity, attitude and commitment to the company. (Pilbeam & Corbridge 2006, 196.)

The induction of a new employee is multifaceted and continuous and involves a number of activities. Some of these activities are the contract of employment and the written particulars such as terms and conditions of employment, the establishment payroll details and completion government requirements. (Pilbeam & Corbridge 2006, 197.) Other elements include:

- provision of organizational information, including sources of rules and regulations
- provision of job and department information

- communication of organizational values and benefits
- encouragement of effective organizational relationship
- provision of opportunities for concern resolution
- analysis of training needs and consideration of short, medium and long term development  
(Pilbeam & Corbridge 2006, 197)

### **2.3.1 Training**

Once a job offer had been extended and in turn accepted the training and continued development of the new employees, though costly, especially if they do not remain with the company long, needs to be focused and managed effectively (Pilbeam & Corbridge 2006, 131). The training of an employee is an important aspect of a career in any job, especially in sales where it has been overlooked and basically considered to be an unnecessary practice in the past largely due to the cost associated with allocating resources for such activities. But currently it is the lack of training that is being considered as an unnecessary expense to any firm. (Kotler & Keller 2006, 620.)

Training is the use of systematic and planned instruction activities to pass on knowledge and assist people in acquiring the skills necessary for them to perform the duties of their jobs to a satisfactory level (Armstrong 2009, 665). It is a continuous process designed to hone the employees' knowledge, skills and abilities (KSAs) in an effort to help them cope with the processes and systems, and technical, interpersonal and problem-solving requirements of a position. Training serves the dual purpose of demonstrating to workers that the company is committed to their development and success as well as ensuring that the company experiences success in the future. (Bohlander and Snell 2007, 294.) Regardless of the outcome, training, which plays a complementary role in accelerating learning, can also help the organization recognize other skills that their employees possess (Armstrong 2009, 676).

In terms of salespeople, many factors exist that affect the efficiency and performance of their jobs, but they are frequently unaware of them. Salespeople may not be conscious of the certain things or their knowledge may be incorrect or inappropriate for the changing demands of their jobs especially when one considers the wealth of information about different services and products consumers are aware of (Donaldson 2007, 206). Management needs to take the lead in combating this situation by providing the necessary educational tools in the form of company

specific programs or on-the-job training to employees to help them perform better (Bohlander & Snell 2007, 295).

Donaldson (2007, 207) states that certain principles underlying the learning process through education is fundamentally linked to training. They are:

- a clear purpose of what the training aims to do for the individual, how it can apply to their jobs and what benefits can be expected
  - a clear presentation so that the individual can learn and appreciate what is taught
  - a planned repetition to enable the individual time and opportunity to absorb and practice new skills
  - a systematic review and follow-up to assess if the learning process is effective
  - the orderly development of material which is the basic difference between learning by training and learning by experience. Experience which is random and uncontrollable usually directs the individual to know what not to do rather than how to do it correctly. In contrast, in training the emphasis is on learning from other people's experience rather than one's own mistakes
  - the process proceeds at suitable pace and is adoptable so that both slow and fast learners can absorb the material
  - the active participation by the individual in the learning process
- (Donaldson 2007, 207)

Research has shown that there is a positive correlation between a firm's revenues and overall profitability and the amount of training it gives to its employees (Bohlander & Snell 2007, 294). It provides a frame of reference in which learning can take place and increases the chances of success and help employees perform automatically without consciously thinking about it, which increases their comfort levels (Jobber 2007, 574). In addition, According to Donaldson (2007, 207) while training can also reduce cost to the employer and allow for the adaptation of better work practices not all sessions will have the desired effects, though it can potentially contribute in one or more of the following ways.

- improving the employee's relationship with their customers by demonstrating a better way to do business
- motivating employees to develop their skills, thereby raising morale

- reducing staff turnover, which in turns reduces recruitment costs and the opportunity cost of lost profit
- making employees more flexible and innovative in meeting changing market conditions
- reducing the cost of inefficiency by weak territory coverage or ignorance of the company policy or operating procedures
- increasing sales volume, reducing supervision costs and requiring less management control (Donaldson 2007, 207)

While the term training is often used to casually describe almost any effort initiated by a firm in order to foster learning among its employees, it involves more than just turning a profit for the company (Bohlander & Snell 2007, 294). As Donaldson pointed out, even though concentrating primarily on sales jobs, the main point of training is not simply about improving general sales volume, it is an investment in a company's most valuable asset, its employees (Donaldson 2007, 209). It is a process which involves the analysis of an employee's performance in order to identify, communicate and acknowledge the strengths and weaknesses of that employee and devise a proper training to overcome the limitations. But, for the training to be successful trainees, trainers, management and the organization must share responsibility of the process. (Jobber 2007, 574.)

The identification of training needs can either be based on standard procedures in which training is technically always in session, or the result of finding 'deviances' through analysis of information provided by employees, managers and the organization. These 'windows', combined with an assessment of the environment offer measures of current and future business performance needs that can be weigh against the current performance and capability levels at organizational, group and individual levels. The resulting comparison will help to identify and define the performance and capability gaps, which necessitates the initiation of a training program. (Pilbeam & Corbridge 2006, 324.)

Pilbeam and Corbridge (2006, 324) point out that data needed to discover if training is necessary is easily obtained from valuable information already available in an organization. Below is what can be called Donaldson's (2007, 208) training needs equation which simplifies the points presented by Pilbeam and Corbridge earlier. It shows that training needs to cover the gap between what an employee (salesperson) needs to know and what is actually presently known. Different employees will have varying requirements depending on the difference in the equation. (Donaldson 2007, 208.)

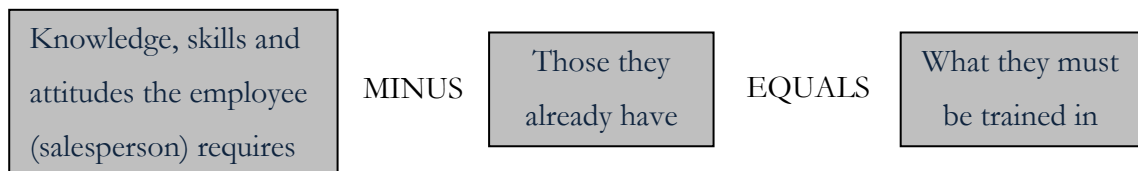


Figure 3. Training needs (Donaldson 2007, 209)

In regards to the training needs, the gaps between what different employees will need will vary when: new people are recruited, new products are introduced, new business or new market segments are to be won, new company policies or procedures are introduced, selling habits are poor or inappropriate or when an individual is being considered for promotion (Donaldson 2007, 208). When one considers these factors, it becomes apparent why a training program should include knowledge about the company, its objective, strategies and structure, as well as the features and benefits of its products and services, and its rivals and their products. In addition, procedures and techniques, work organization and relationship management are also key training point that must be covered. (Jobber 2007, 574.)

When it comes to the content of training Donaldson picks up where Jobber ends and adds that since the circumstances and the individuals themselves vary so much, the content of the training programs are seldom standardized. New people need to learn about the company's product and service mix and their strengths, weaknesses and benefits as well as gain an understanding of the policies and procedures, including rules and reports of the company while gaining an appreciation of what the competitors offer. In some cases it may be discovered that a new employee's previous experience, education and training may not be adequate and that additional training man be necessary to bring their skills up to an acceptable level. An appreciation of the company's ethos, attitudes and behavior is also critical since customers do view salespeople as the company. (Donaldson 2007, 208.)

Training in these areas is not only beneficial to new employees since there are a variety of reasons why existing ones may need similar guidance. Some employees tend to stick to their established patterns, exerting little to no effort to improve on their performance, being happy to meet the minimum quota their job requires, such as a salesperson being reluctant to prospect outside of their existing customer pool could benefit from additional training. Training could help the existing employees better allocate their time, locate new potential customers, learn to

develop relationships, conduct follow-ups and other tasks that contribute to the selling process. (Donaldson 2007, 208.)

### **2.3.1.1 Training Methods**

Whether the training is for a new or a current employee training endeavors must be implemented properly and based on the resources of the company and the needs of the trainee otherwise it will be fruitless. In circumstances in which the training material is mostly factual, methods such as classroom lectures or programmed instruction may be suitable, but if the training involves a large behavioral component, on-the-job training (OJT), simulation or computer-based training (CBT) would be more suitable. (Bohlander & Snell 2007, 307.) But, because most training programs often have multiple goals and objectives, a variety of methods are usually combined so that employees understand the why, how and when to do a particular task (Lawson, 2000 in Aamodt 2010, 298).

The classroom element in training, generally referred to as seminars, lectures or workshops enables the maximum number of trainees to be presented information in the form of lectures, demonstrations, films and videotapes or through computer instruction by the minimum amount of trainers (Bohlander & Snell 2007, 312). On the other hand on-the-job training (OJT) provides hands on work in the informal training of employees by experienced workers in cases in which teaching the necessary skills require supervision to learn through role modeling and repetition. (Gallup & Beauchemin, 2000 in Aamodt 2010, 310). So while classroom training dictates that trainees are taught at the same pace which is not entirely productive since not all people learn and gain knowledge at the same speed, OJT's is generally a one-on-one affair in which constant evaluations can be conducted (Bohlander & Snell 2007, 308 & 312).

Another approach to training combines the audiovisual, programmed and computer-oriented methods into what is known as e-learning, which covers a wide variety of applications such as web and computer based learning (CBT) and virtual classrooms. E-learning makes use of the Internet, intranets and extranets, audiotape, videotape, DVD, and CD-ROM in order to deliver content to trainees. It is an interactive training format which can be administered at virtually any time and makes it possible to provide drill and practice, problem solving, simulation and certain very sophisticated forms of individualized tutorial instruction in a way that's more engaging for learners than traditional classroom instruction. (Bohlander & Snell 2007, 314.)

### **2.3.1.2 Training Evaluation**

As stated, there many training methods that a company can utilize but some popular topics or the reasons behind the training can be very basic. For instance, orientation training, which is a formal process of familiarizing new employees with the organization, their jobs and their work units can help reduce turnover, recruitment and training cost and employee anxiety, while improving productivity, worker morale and facilitating learning. (Bohlander & Snell 2007, 328.) Still, an evaluation has to be done on the process to determine the effectiveness of the training, how it can be improved, should it continue to be offered, the impact it has on the performance of the firm and the affects it has on behavior (Bohlander & Snell 2007, 323).

The simplest way to evaluate the effectiveness of a training program and assess the company's return on investment (ROI), which in this case would refer to as the value the firm gets for the expense incurred from the training, would be to test the acquired knowledge, skills and abilities of the trainee. It is prudent for management to measure what, if anything, the participants learned. (Aamodt 2010, 315.) This is relatively easy to measure in some cases by merely comparing the knowledge and skills the trainee had before the training against the same qualities after the training (Bohlander & Snell 2007, 325). Still, the training is only good if it can be transferred into work environment successfully. Trainees must be given the opportunity to immediately make use of their new knowledge and skills as well as be properly compensated for their efforts. (Aamodt 2010, 315.)

## **2.4 Compensation and Motivation**

Once an organization has recruited, selected and trained its employees through the best techniques available to them it is important that not only are the employees' knowledge, skills and abilities at a suitable level required to perform the job, but that the employees are both motivated by and satisfied with the job (Aamodt 2010, 328). Employees who are properly compensated and highly motivated are more likely to perform better and remain with the company than those who are not. High performance is the result of effort exerted by well motivated people who exercise discretionary drive. (Armstrong 2009, 317.) The problem then is the motivation factor, which while is not exclusively monetary, cannot be solved without an investment on the part of the organization (Donaldson 2007, 230).

The fact that every individual has a different set and importance grade of incentives to work to a high level means that firms must perform a balancing act with providing financial enticement on one hand and non-financial encouragement on the other. Non-financial incentives include opportunities for recognition, advancement, self-esteem, security and other intangible factors while financial incentives include direct payment in salary, commission and bonuses and indirect payments in the form of expenses, company car, private health care, etc. (Donaldson 2007, 230). For this reason a company's performance-reward program needs to be a combination of various components that are available through the company's system that take into consideration the different motivating factors in their employees lives. (Jones 2007, 214.)

Some employees who work strictly for money are generally receptive to attempts to strengthen their performance output by using tangible monetary rewards and have a preference for working in rigid environment in which rules are set and enforced. Others who may prefer a flexible working environment might prefer training possibilities as a suitable reward for excellent performance. (Jones 2007, 214.) For this reason firms need to create an atmosphere in which both types of employees, in regards to incentives preference, can thrive since high levels of motivation usually brings about increased creativity, higher self-esteem and harder and smarter working habits amongst employees. Moreover, such an environment would ultimately lead to a better overall performance for the organization as a whole. (Jobber 2008, 574.)

In general, no matter the type of incentive employees tend to gravitate towards, there is always a difference of opinion between the organization and the individual when it comes to pay rate. Logically, the individual would prefer to have as high an income as possible while it would be in the best interest of the organization to keep the cost as low as possible because from a strategic point this would decrease its operations cost. Even the most committed employee will force companies to pay attention to salary rate in order to stimulate effort, reward achievement, control staff and be able to recruit and retain staff. Additionally, enlightened organizations will acknowledge that employees need money to live and also revel in the fact that remuneration may also be an incentive for employees to work harder and better. (Donaldson 2007, 230).

#### **2.4.1 Methods of Rewarding and Benefits**

Most organizations have some form of grading structure in place which serves as a basis for determining the pay rate an employee gets for performing his/her job. Of course factors such as previous experience, special training and level of abilities and skills can be used in calculating

the exact amount an employee is worth to an organization. The fact is that not all employees are worth the same amount, salary wise, to the company. Hence, performance-related rewards are used to determine bonus or progression within the pay grading scale an employee receives. (Torrington et al. 2008, 654.)

Apart from the basic salary an organization offers employees, some companies also participate in incentive programs, whether it be on a monetary or non-financial basis. The problem though is discovering the magic formula. By effectively linking payment for performance with a basic salary package, so that their movements coincide seamlessly, a company could enhance its relationship with its employees. In addition salary combined with incentives rewards effort and behaviors displayed by employees which companies wish to encourage and it can help in the recruitment process by passively sorting possible applicants since not all people are comfortable working within an incentive system. (Torrington et al. 2008, 677.)

Incentive programs combined with salary come in basically two forms that are based on quality accomplishments or quantity performance. Quality performance incentives, which are usually linked to non-financial rewards but can also be monetary, are present in companies in which assurances and continuous relationship building with customers are very important. Incentive programs based on quantity achievements on the other hand, are designed to reward employees according to a predetermined production measure. Though the rewards tend to be higher than in performance based incentive programs, quantity based incentive programs are at times plagued with operational inefficiencies, low quality of work and working life and obscured payment arrangements. (Torrington et al. 2008, 678-680.)

According to Donaldson, (2007, 232) there is inevitably an inherent conflict of interest between an employee trying to get as much money as he/she can and the organization trying to get the best worker at the lowest cost. To achieve a suitable compromise, especially in sales jobs, that both parties can appreciate a trade-off between security and flexibility, incentives and fairness is required. A base salary, which may be favored by the company, for instance can be combined with commissions and bonuses that reflect a certain level of achievement for the employee can be beneficial for both parties. The company gets an employee driven to higher performance and the employee receives rewards for effective working habits. (Donaldson 2007 232.)

Compensation plans are not only determined by motivational considerations but in regards to salary structure as put forth by Jobber (2007, 576) and Torrington et al. (2008, 691):

- Fixed salary
- Commission
  - fixed percentage payment
  - progressive percentage payment (commission increases as sales exceeds the predetermined quotas)
  - commission + compensation for expenses incurred (travel, material cost)
- Combination salary
  - fixed based salary + commission
  - fixed based salary + bonus (exceeding projected targets, for instance, selling more units than the established quota)
  - fixed based salary + royalty (profit sharing is tied to the total number of units the company sells, for example, the excess amount of money brought in when projected sales are surpassed is divided amongst all the employees)

(Jobber 2007, 576; Torrington et al. 2008, 691)

A fixed salary is a regular set sum which is tied to a particular job on a time – rather than output basis. The salary is to compensate employees for doing their job duties but is not necessarily volume related or even at times quantifiable but can be increased based on experience level, length of service, additional training and other reasons. (Donaldson 2007 232.) Fixed salary is not tied to sales output but can encourage salespeople to perform supporting task associated with the sales jobs such as providing technical back-up for customers. While fixed salary might provide some financial stability and therefore security for employees, it may also lead to ‘perceived injustices’ with high performing salespeople being paid the same amount as mediocre performing employees. (Jobber 2007, 576.)

When one considers fixed salary, it is usually only one element of the entire compensation package offered by sales driven organizations to provide workers with a sense of security in the job and enhance their satisfaction (Aamodt 2010, 348). Still, while it normally constructed around several elements which affect employment stability, investment training and development and reinforce cooperation, participation and contribution on the employee’s part, having a job based solely on commission is a strong incentive to salespeople to sell (Armstrong 2009, 350). But enlightened companies may employ a combination of fixed salary and a sliding

scale in which the commission will continuously increase with each sale once a predetermined quota has been surpassed (Donaldson 2007, 233).

There some inherit problems with compensation packages that are based entirely on job productivity. While it does provide a strong incentive for salespeople to complete sales it also means that the salespeople may be overbearing in a desperate attempt to close the deals which could intimidate customers and prove detrimental to the company's performance. In addition salespeople may also ignore other non commission sales related activities which can be costly to the company. Moreover, there is a lack of loyalty and high turnover which increases recruitment and training cost for the organization. (Jobber 2007, 577; Donaldson 2007, 233.)

Most companies pay salespeople based on some form of combination system that disguises a multitude of variations, which reflects the diverse corporate and sales objectives and variety of selling situations and sales tasks (Donaldson 2007, 234). This hybrid approach, which combines a fixed based salary with a commission, provides the element of security that most people are looking for in a job and the incentive to sell. This type of compensation plan is attractive to ambitious salespeople who seek to combine the guarantee of a base level of income with the potential to earn even more through greater effort and ability. The commission element of this system is usually tied to quotas that need to be met. (Jobber 2007, 577.)

Another type of combination compensation for employees is the fixed salary, plus bonus approach. A bonus, like commission, which is a payment for a unit of work related to volume, value or profits, is usually paid based on the attainment of some task. But whereas commissions are continuous, a bonus may just be tied to a particular action. (Donaldson 2007, 233.) There are different types of salary and commission combinations based on the employee's needs and the firm's resources and according to Bohlander & Snell (2007, 448) the benefits are:

- when proportionally linked correctly (beneficial for the firm and the employee) has most of the benefits of both straight salary and commission forms of compensation
- offers greater design flexibility and can therefore be more readily set up to help maximize company profits
- can be used to develop the most favorable ratio of selling expense to sales.
- can motivate sales force to achieve specific company marketing objectives in addition to sales volume.

(Bohlander & Snell 2007, 448)

Table 1. Illustration of the advantages and problems of the straight salary and straight commission compensation plans as adapted from Donaldson (2007, 232-234), Jobber (2007, 576-577) and Bohlander & Snell (2007, 447)

	STRAIGHT SALARY	STRAIGHT COMMISSION
<b>BENEFITS</b>	<ul style="list-style-type: none"> <li>- Basic level of pay is assured</li> <li>- Sense of security for workers</li> <li>- Encourages loyalty and commitment of employees</li> <li>- A known cost that is easy for the company to keep track of</li> <li>- Enables individuals to be transferred between areas</li> <li>- Control can be exercised on activities</li> </ul>	<ul style="list-style-type: none"> <li>- Payment related to results for both employee and company</li> <li>- Easy to calculate</li> <li>- No ceiling</li> <li>- Costs relates to sales</li> <li>- Only one evaluation method</li> <li>- Individuals are virtually self-employed</li> <li>- Provides maximum incentive</li> <li>- Emphasis is on sales</li> </ul>
<b>PROBLEMS</b>	<ul style="list-style-type: none"> <li>- No direct incentives to greater effort</li> <li>- Costs being fixed regardless of sales level</li> <li>- High performers are basically underpaid while mediocre performers are overpaid</li> <li>- Difficult to justify promotions</li> </ul>	<ul style="list-style-type: none"> <li>- Lack of loyalty, commitment and time from employees</li> <li>- Lack of customer building, service and support activities</li> <li>- High turnover of employees</li> <li>- Other sales activities may be ignored</li> <li>- Earnings fluctuate widely</li> </ul>

In addition to the elements listed in table 1 concerning the problems associated with maintaining a straight commission package in an organization, Bohlander & Snell (2007, 447) also voiced other issues which may arise. The fact that salespeople may grant concessions or even present lackadaisical presentation and that emphasis may be placed on sales not profit and that straight commission plans may cause lack were some concerns. But, the most disturbing problem that could arise from such a situation is that it may damage the company's image. Bohlander & Snell (2007, 447.)

#### 2.4.2 Compensation plan

Taking into account the various factors that must be considered when designing a compensation package for employees the most vital question is if it suits the particular job in question. A second question then, is if the design of the package allows it to be flexible to meet the negotiation requirements of individual employees. For this reason management must take a strategic approach to designing a compensation package so that the organization's payment

arrangements and wider reward system is aligned with its business objectives. The end result is the installation of a system that enhances the possibility of employees actively seeking to contribute to the achievement of the goals of the organization. (Torrington et al. 2008, 638.)

The compensation plan must be flexible to accommodate the different needs of employees. The base salary must reflect the past experience different employees bring to the organization while the incentive part, based on the negotiated salary can be either open-ended or capped at a certain amount. The ratio of base salary to commission is generally consisted of 70 percent salary with 30 percent incentive pay. (Jobber 2007, 577.) This ratio should be strategically aligned with the business objective of the organization. So if improving quality of service, which requires more customer relationship building but incidentally does not bring in short-term or quick revenue, is the goal of the company the base salary should be adjusted upwards. On the other hand, if the company's objective is to simply sell at all expense, the incentive portion of the pay should be higher. (Torrington et al. 2008, 638.)

According to Kotler and Keller (2005, 619) the purpose of a sales force compensation plan is to motivate salespeople and direct their focus for certain tasks and provide control and simplicity for management. The control for management is crucial since through exerting it the organization would be better equipped to direct activities towards accomplishing their business strategic marketing objectives. Based on the primary objectives the company can design its ideal sales force, communicate its focus and determine, with some flexibility, a reward package for employees. (Kotler and Keller 2005, 619.)

Table 2. Illustration of how a firm's overall marketing strategy should be reflected in its sales force and compensation plan by Kotler and Armstrong (2001, 594)

STRATEGIC GOAL			
	To Gain Market Shares Rapidly	To Solidify Market Leadership	To Maximize Profitability
<b>Ideal Salesperson</b>	- Independent self-starter	- Competitive problem solver	- Team player - Relationship manager
<b>Sales Focus</b>	- Make deals - Sustain effort	- Consultative selling	- Account penetration
<b>Compensation Role</b>	- Capture accounts - Reward high performance	- Reward new and existing account sales	- Manage product mix - Encourage team selling - Reward account management

The illustration presented in table 2 supports the arguments put forth by Torrington et al. (2008, 638). If an organization's overall strategy is to grow rapidly through high sales performance then the commission portion of the employee reward package should be high to reflect the efforts put in by the salesperson. In contrast, if the goal of the company is to maximize the profitability of current accounts then a larger base salary that covers the non-sales activities, such as customer satisfaction, with an additional incentive would be a better approach. (Kotler & Armstrong 2001, 594.) This is why more and more companies are shifting towards a compensation plan that rewards salespeople for building and fostering strong customer relationships and growing the long-term value of their clients (Kotler & Keller 2005, 620).

To ensure that salespeople maintain their competitive and entrepreneurial spirit even though when the commission element of a compensation package might be low, organizations have begun to make contests a part of their remuneration strategy. In this situation, accolades, bonuses or prizes are given periodically if salespeople can reach a specified goal, such as promoting a special item, being the sales leader of the month or opening new accounts in a particular industry. These types of contests are great motivators because they provide

recognition (status), excitement (change of routine) and of course, rewards. (Donaldson 2007, 235.) Unfortunately some contests often backfire due in part to:

- not setting clear objectives for the contest
- bad timing
- the contest is too complicated
- quotas are too high
- the wrong type of prize (weak reward)
- a lack of promotion with no manager or customer involvement
- being too slow in assessment and reward

(Donaldson, 2007, 235)

Contests and bonuses are very useful for small companies that cannot afford to regularly pay out large commission checks but should not be used as a way for management to avoid pay disputes or as quasi-pay increases. They must be designed so that all employees eligible to participate have fair chance of success. But even with benefits to employees as well as the fact that it lead to increased sales volume, customer acquisition and profits for the firm, opponents to this type of incentives raise several objections. (Donaldson 2007, 234-235.)

- salespeople are paid to do a job and should not need further incentives or rewards
- high-caliber, experienced salespeople consider contests to be juvenile and silly
- contests distort 'natural' sales trends, with slumps before and after them
- losers can suffer loss of morale
- contests can become obsessive and cause conflict which could weaken team spirit

(Donaldson 2007, 235)

No matter the combination of salary level and commission or bonus plan that makes up a compensation package, it has to be rewarding for both the employee and the company. There is no one size fits all process for developing a compensation package, which exhibits a tremendous variety from industry to industry and even within the same industry. (Kotler & Keller 2005, 619.) This is especially true when it comes to paying the sales force of a company, whose performance is easily quantified and measured. Because of the nature of the position, salespeople are generally paid differently than all other functions within an organization and experience a higher turnover rate. (Shively & Shamis, 2011) Below are some considerations to

assist a firm trying to develop a compensation plan that contributes to a high performance sales force:

- compensation packages should not be developed in a vacuum. It must be developed according to the budget and in conjunction with the firm's objectives and strategies
- make certain the plan focuses on both tactical and sales objectives
- the plan should not be able to direct sales behavior away from the firm's objectives
- create metrics and measurable criteria for tactical and strategic objectives
- keep the plan simple but complete
- make sure the fixed salary portion of the plan is a reflection of the non-sales activities that are being completed, which technical supports the sales
- make the design flexible to differentiate between top, mediocre and subpar performers
- make sure employees are comfortable with it to reduce turnover and loss of talent
- reward sales force based on contribution and worth not level of activity
- make the plan evolutionary to avoid drastic and quick changes to it even when needed
- be attentive to individual needs and agendas (adjust individual plan when necessary)

(Shively & Shamis, 2011)

### **2.4.3 Motivation**

According to Armstrong (2009, 317) a motive is a reason to do something. Motivation is related to the strength and direction of behavior and the factors that influence people to behave in a particular manner. Motivation as an idiom refers to the goals individuals have, the way in which they chose those goals and the manner in which others try to change their behavior. (Armstrong 2009, 317.) It is the psychological force within each person that arouses their interest, directs their attention and drives them to persist and work attentively to find a way to achieve their set objectives (Jones 2007, 210). But translating and deciphering that internal force that propels workers to action as well as the external factors that encourage that action is what managers have a hard time comprehending. (Lock & Latham 2002 in Aamodt 2010, 328)

While a worker's abilities and skills determine if he/she can do a job, it's their motivation that determines whether the worker will do the job properly (Aamodt 2010, 328). This motivation is the reflection of the effort people put into an activity (Torrington et al. 2008, 262). It can be understood through the relationship between a person's needs, drives and goals, hence people cannot motivate others, they can simply create an environment in which others motivate

themselves. From this perspective it is easy to see that effective motivation is based on a deep understanding of individuals, their personalities and their value system. (Jobber 2007, 574.)

Motivation is about the why's of people's behavior which is influenced by hereditary or environmental conditions, specific desires or goals and/or a need to behave a particular way (Donaldson 2007, 240). There are essentially two 'whys' or types of motivation. The first is intrinsic which is produced from the self-generated factors that influence a person's behavior. This type of motivation can be found in the performance itself because individuals enjoy the actual task, find the task important and interesting or enjoys the challenge of successfully completing the task. Additionally, it may be the opportunities to achieve and advance and develop their skills and abilities that can be the motivational factors. Still, this intrinsic motivation can be enhanced by job dimensions and position. Hence, a person may perform at a mediocre level in one position but excel in another position even if both are under the same conditions. (Armstrong 2009, 317.)

Extrinsic motivation on the other hand is when external factors combine to drive a person's actions or behavior. These factors could include rewards, such as incentives, increased pay or promotion or even punishment which could come in the form of criticism, demotions or withheld pay. Extrinsic motivators generally have an instantaneous and intense impact on people's lives though it is not necessarily a long lasting one. So while a person may not enjoy performing a particular task, the outside factors may be strong enough to compel them to not only carry out the task but do it well. Therefore it is not complicated to realize that intrinsic motivators have a more profound and long lasting impact in people's lives and to tap into and combine that with extrinsic motivators would help a manager maintain an ambitious determined work force. (Armstrong 209, 318.)

Motivation continues to be a topic of many researches that have produced theories that have implications for the motivation of salespeople. The findings demonstrate that improving motivation, in regards to salespeople will for instance, lead to an increase in their creativity, their work performance, their self-esteem and their relationship building skills. (Jobber 2007, 574-575.) There are many theories on how to motivate employees but two popular ones are Maslow's hierarchy of needs theory and Herzberg's motivation-hygiene theory, both of which can help managers identify the unique desires of individual employees. (Donaldson 2007, 240.)

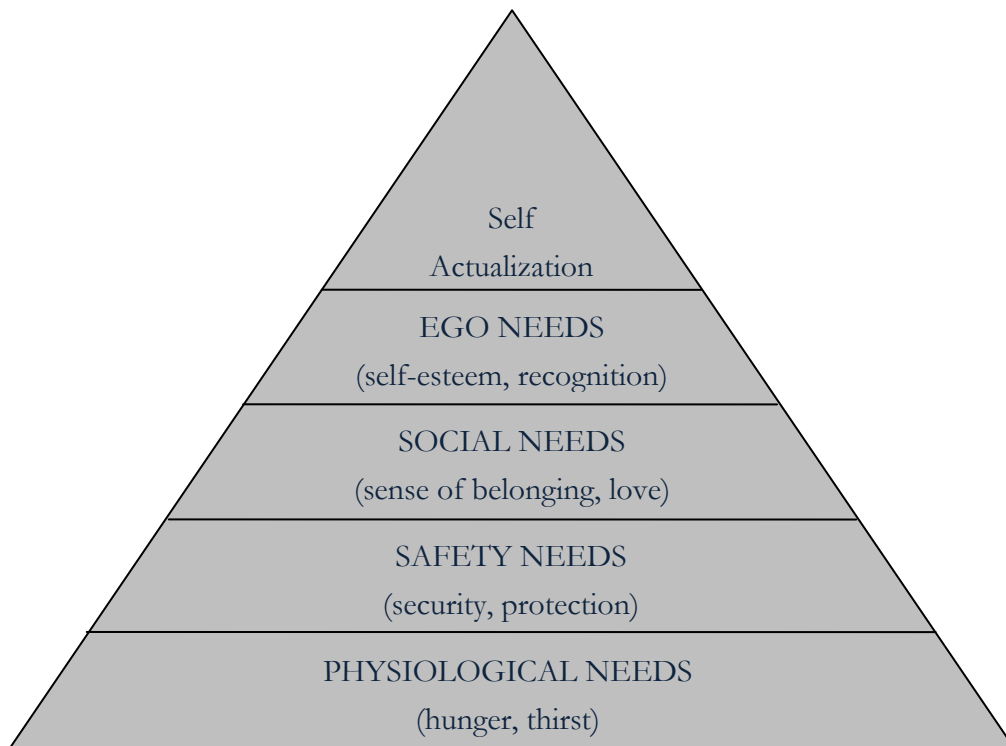


Figure 4. Maslow's hierarchy of needs. 1970 (Donaldson 2007, 241)

Maslow's hierarchy of needs suggests that individuals are motivated and satisfied with their jobs at any given time if five basic needs are continually met. At the base of Maslow's hierarchy are physiological needs such as food and clothing which address basic survival instincts and compels people to work. This is followed by safety needs wherein people seek to secure and protect themselves and to improve their welfare within the company of others. This leads to the desire for people try to satisfy their social need, which is the desire to belong and be a part of something bigger than themselves. Once recognized as a member of the collective people can then try to satisfying their ego, to be recognized as an elite member of the group. Beyond the desire to feed ones ego is the struggle to satisfy ones self-actualization needs where a person simply does something just for the sake of doing it which is its own reward. Here the mastering of an activity is an end in and of itself. (Aamodt 2010, 334-336; Jones 2007, 212.)

Managers can use Maslow's hierarchy of needs to hone in on 'what makes a person tick' and provide the proper rewards to encourage a person to perform at a peek level. Providing salary and rewards in a safe working environment with job security in a supportive atmosphere with friendly colleagues covers the first three categories in Maslow's hierarchy of needs. Within the ego need stage promotion to higher positions and recognition by the company and stakeholders are rewards that may satisfy some unmet needs of desiring employees who will

inevitably need managers to provide outlets through which these employees can 'be all that they can be' or lose them boredom and dissatisfaction. (Aamodt, 2010 335; Jones 2007, 212.)

Though Maslow's needs theory make good intuitive sense critics have voiced the opinion that five levels may be too many and that some people do not progress up the hierarchy as suggested. Another issue is the fact the theory predicts that the most important need at any given time is the one that is right above the stage a person is now on. Still, while scholars argue about the theory's validity, it remains popular with marketing analysis and managers as a useful tool, much like Herzberg's motivation-hygiene theory. (Aamodt 2010, 336.)

<p><b>MOTIVATION FACTORS</b></p> <ol style="list-style-type: none"><li>1. Achievement</li><li>2. Recognition for achievement</li><li>3. Work itself</li><li>4. Responsibility</li><li>5. Advancement</li><li>6. Possibility of growth</li></ol>
<p><b>HYGIENE FACTORS</b></p> <ol style="list-style-type: none"><li>1. Supervision</li><li>2. Company policy and administration</li><li>3. Working conditions</li><li>4. Interpersonal relations with peers</li><li>5. Interpersonal relations with subordinates</li><li>6. Interpersonal relations with superiors</li><li>7. Status</li><li>8. Job security</li><li>9. Salary</li><li>10. Personal life</li></ol>

Figure 5. Herzberg's (1987) motivation-hygiene theory. (Donaldson 2007, 242)

Herzberg's motivation-hygiene theory, also known as the two-factor theory is a model that distinguishes between the sources of a job that brings satisfaction and dissatisfaction to employees of an organization. This theory relied on the idea that people have the ability to not only accurately identify but also quantify the conditions that satisfied and dissatisfied them with their jobs. Conditions which are considered to bring dissatisfaction to employees generally

concern the context of the job, while those that employees considered to help produce happiness revolved around the content of the job. (Armstrong 2009, 328.)

The hygiene factors, which are usually preventive and environmental, as labeled by Herzberg, consists of issues such as salary, working conditions, company policies and supervision. These factors generally do not motivate or improve job performance, but still, the absence of them can lead to a decrease in performance. While financial rewards may motivate in the short term, they are not a durable stable solution to performance maintenance since their effects usually wears off quickly. On the other hand the motivation factors, which relate to actual job elements concerning tasks and duties that involve recognition, responsibility, achievements, growth and opportunity for advancement are intrinsic desires that drives the actions of employees and therefore can be enhanced by the right combination of external forces. (Armstrong 2009, 328.)

The managerial implications of Herzberg's theory is that the nature of the job, in terms of delegating responsibility and enhancing status, works more effectively as a motivator than for instance, job security (Donaldson 2007, 241). This shows that maximizing the opportunities for workers to attain intrinsic satisfaction will lead to improvement in the quality of working life (Armstrong 2009, 328). In essence, only the presence of both factors in a particular balance, which differs for individual employees, can bring job satisfaction and motivation, which would lead to improved performance (Aamodt 2010, 338).

Unlike Maslow's and Herzberg's theory about motivation, which only demonstrate a partial explanation of the motivation Vroom's expectancy model created a link between motivation and effort and performance. Vroom's theory states that motivation will be high when people know what they have to do to a get a reward, expect that they get the reward and expect that the reward will be worthwhile. (Armstrong 2009, 325.) In other words an individual's level of motivation depends on the appeal of the rewards that is sought and the likelihood of obtaining those rewards. Hence, an employee exerts greater work effort if there is ample evidence to suggest that it will result in a reward that is valued. But, not only does the value of the reward need to be attractive, the employees must also believe that their employers appreciate their good performance in pursuit of the reward. (Bohlander & Snell 2007, 431.)

According to Donaldson (2007, 242), Walker et al. (1977) motivation component idea is based in part on the Vroom's expectancy model which was developed in 1964. Through it one sees that people are motivated to work by choosing between different behaviors if they believe that

their efforts will be rewarded and they attach value to these rewards. Choice, expectancy and preference are factors that underline a person's behavior and guide their motivation, along with personal and organizational variables, such as aptitude, experience, training and closeness to managerial influences, especially when it comes to sales-related motivation. In addition, motivation is related to the nature of the job itself and is influenced by the individual's role perceptions. (Donaldson 2007, 242.)

Perceived value or worth of attaining the goal affects the motivation and behavior. The perception itself is based on the expectancy of the individual that performance is the result of certain actions and activities, is remunerative and something to desire for. The accuracy of the image a person has of themselves and their skills and abilities determines how much that person expects to accomplish a particular task which provides the link between their effort and their performance. The magnitude of expectancies can be negatively impacted by competition, trading conditions and other environmental factors and is related to the image the person has of his/her abilities. (Donaldson 2007, 243.)

The expectancy premise was initially contained in Vroom's valency-instrumentality-expectancy (VIE) theory demonstrating a link between expectancies and performance (Armstrong 2009, 325). Building on the descriptions of the valence (value placed on an outcome), instrumentality (belief that doing one thing will result in the something else happening) and expectancy (VIE ) Porter and Lawler (1968) created a formula that integrates a person's role expectations and efforts that would help one to better predict the performance result. (Armstrong 2009, 326)

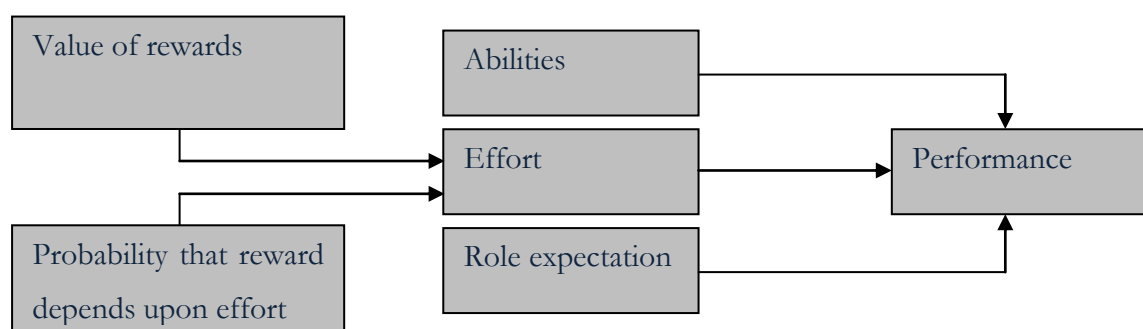


Figure 6: Motivation model of Porter and Lawler (1968 in 2009, 326)

While Vroom's (1964) motivation equation of  $\text{effort} = \text{expectancy (probability of achievement)} * \text{valence (anticipated satisfaction)}$  was incorporated by Porter and Lawler (1968) in their model for calculating performance, along with taking into account abilities and role expectation,

Walker, Ford and Churchill (1977) combined them and Herzberg's theory and integrated them into the motivation component model (Armstrong 2009, 326). Through this model is can be observed that a profound appreciation of salespeople as individuals, their personalities and value system is the basis of effective motivation, which in itself is an important determinant when factoring the probability of success. Hence, motivation, itself can be understood as the relationship between needs, drives and goals and their interaction with certain environmental elements. (Jobber 2007, 574-576.)

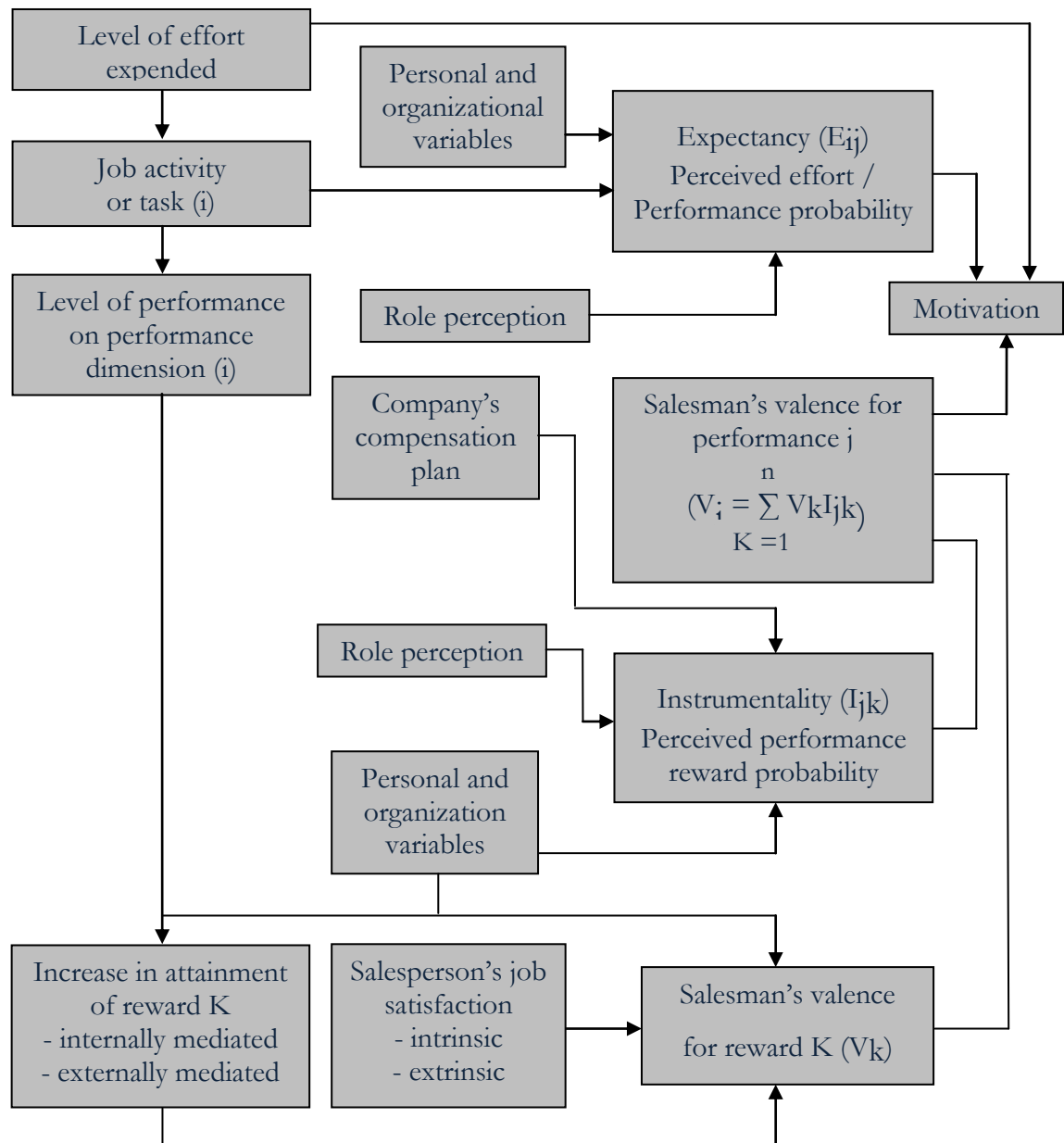


Figure 7. The motivation component as drawn by Walker, Ford and Churchill. (1977 in Donaldson 2007, 243)

Using theories put forth by Maslow, Herzberg, Vroom, Adams and Likert about motivation, a summary of their significant findings which was compiled by Jobber (2007, 575) is as followed:

- once a need is satisfied it no longer motivates
- different people have different needs and values
- increasing the level of responsibility/job enrichment, giving recognition of achievement and providing monetary incentives work to increase motivation for some people
- people tend to be motivated if they believe that effort will bring results, results will be rewarded and the rewards are valued
- elimination of disincentives (such as injustices or unfair treatment) raises motivational levels
- there is a relationship between the performance goals of managers and their salespeople (Jobber 2007, 575)

Since sales managers truly do not motivate people, they simply provide enabling conditions in which salespeople motivate themselves Jobber (2007, 575) suggest that managers should:

- get to know what each salesperson values and what each is striving for (unrealized needs)
- be willing to increase the responsibility given to salespeople in mundane jobs
- realize that training can improve motivation as well as capabilities by strengthening the link between effort and performance
- provide targets that are believed to be attainable yet provide a challenge to salespeople
- link rewards to the performance they want improved
- recognize that rewards can both be financial and non-financial (e.g. praise) (Jobber 2007, 575)

#### **2.4.4 Motivation and work performance**

The link between job satisfaction and job performance may not be a straight forward positive relationship but it is reciprocally related (Bagozzi, 1980 in Donaldson 2007, 244). They are also tied to the salesperson's motivation and effort, wherein the higher the motivation, the greater the effort, which results in better performance that leads to the rewards which brings satisfaction to the salesperson. From this satisfaction, motivation is then generated and moves the cycle on in a continuous loop. (Jobber 2007, 576.) Unfortunately, it is not an easy task to determine the motivational factors for every salesperson, but it is certain that they do have a significant impact on sales performance (Donaldson 2007, 244).

The complexity of determining the different factors that affect salespeople's motivation is partially created by the numerous variables which impact on performance, such as aptitude, role perception and the components of motivation itself. The individuality of the selling job contributes to the problem of motivation as well since the nature of the tasks relating to selling jobs, individual's perception of those elements and reactions to them will vary. Salespeople's personality differences and selling preference and industry specific problems all create unique problems when defining the motivational factors of salespeople. Knowing these factors, some of which are listed below, that affect motivation can help management create solutions, though they need to be adapted depending on particular circumstances. (Donaldson 2007, 245.)

- The job itself should not be excessive mundane, too simply or too strictly disciplined. Salespeople find motivation in interesting and rewarding position.
- Accuracy and feedback for salespeople on job performance carry motivational support and satisfaction even though a firm's complexity of dual effort may confuse the sales process (Bagozzi, 1980).
- Motivated people whose drive and need for achievement will boost their sales performance.
- Participation in the decision-making process on the part of the salespeople will increase their commitment to the organizational strategies.
- Being part of the company. The involvement of people who are committed increases.
- Morale which while difficult to define, but can be described as the mixture of a person's feelings towards their job, pay, other employees, conditions of work, competitors and other factors. Though good morale is not sufficient to motivate, poor morale can be a demotivating factor.
- Discipline is dependent on a large variety of factors but must be taken into account. If it is too strict, it may alienate the salespeople, while too weak can lead to anarchy.
- Monetary reward and other such compensation is the most important reward used to motivate salespeople. The variety of payment plans in operation, even within similar industry and sales situations, suggest that managers do not understand the effect of payment to their employee's motivation.
- Good management, though hard to measure has a profound impact on motivation. Factors such as goal-setting, evaluation, control, coaching, understanding and know-how contribute to individual salespeople's motivation.

(Donaldson 2007, 245-246)

Motivation strategies used by organizations are designed to create a working environment in which policies and practices will encourage high levels of performance from employees (Armstrong 2009, 330). Since people come into a job with a predisposition towards motivation, its importance and complexity and effect on performance has led to the idea of a motivational mix (Figure 8). These individual and collective factors influence an individual's motivation to work and ultimately how well they perform their job duties. (Donaldson 2007, 246.)

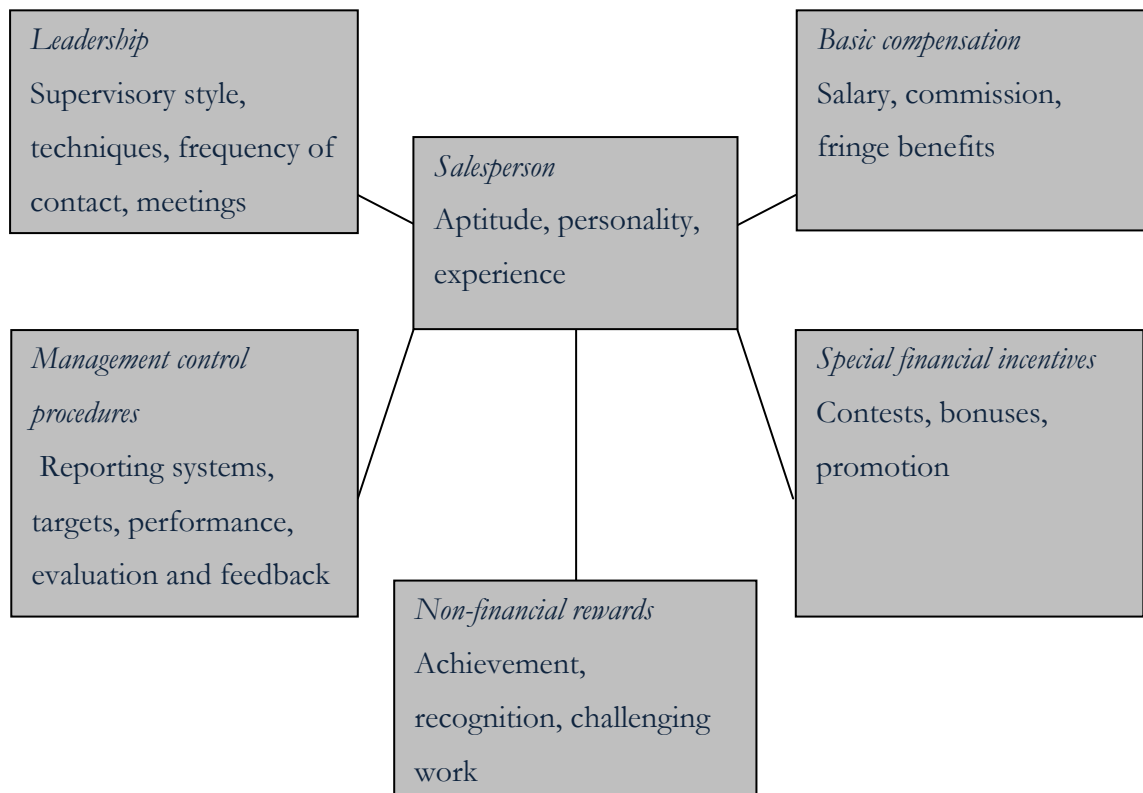


Figure 8. The Motivational Mix (Donaldson 2007, 246)

According to Stanton and Spiro (1995) motivation usually includes three aspects, namely intensity, perseverance and choice. Intensity refers to the scope of efforts that a salesperson exerts on a certain task while perseverance shows how long the salesperson is willing to continue in the sales effort and choice refers to the specific activities a salesperson selects in order to achieve the desired results (Lacmanovic 2005, 176). With this in mind Futrell (2001, 275) has excluded the salesperson from the motivational mix model found in figure 8, and incorporated three additional aspects into the mix along with the basic compensation, special financial incentives, non-financial incentives and leadership and management control elements. Namely, sales culture, sales training and performance evaluation. (Futrell 2001, 275.)

While performance evaluation, which takes into account the method, activities and publicity of the appraisal process, and sales training are self explanatory, sales culture, as presented by Futrell adds a new dimension to the motivational program. It refers to “a set of key values, ideas, beliefs, attitudes, customs and other capabilities and habits shared or acquired as a member of the sales group” that are important tools because managers can influence it through activities and symbols which affect the behavior of salespeople. By using ceremonies and rites, stories, symbols and language managers mold the sales culture of an organization to reflect the values which they desire the salespeople to believe in. Properly exploited, the sales culture can manipulate the intrinsic motivation of the salespeople by giving them aspirations of becoming a part of future references, increasing the value of rewards they may receive. (Futrell 2001, 276.)

The response of an individual to the different factors, which management can use to motivate the sales force can be either negative or positive but strongly depends upon their predisposition and current experience in the organization. Solving the problems of individual salespeople and providing definite solutions may help resolve some of the motivational problems in the sales force but a continuous maintenance program must be used to help curtail the negative effects of some motivational factors. (Donaldson 2007, 246.) This may include the development of total rewards systems and performance management processes, or whatever solution the organization can afford based on its resource. (Robbins 2005, 225)

## **2.5 Summary and the Framework of the Study**

The retention of critical talent to an organization begins with the recruitment and selection process. Job descriptions and the qualifications required to perform the duties of the position must be developed and present details of the position. This is done in an effort to not just inform applicants about the specifics of the position but also to limit the amount of candidates who apply, which can save the company valuable time and resources. When used appropriately and conveyed through a suitable communication channel a detailed job description and qualification can also help a company during the screening and interviewing phase of the recruitment process. This is because unqualified applicants can easily be recognized and disregarded allowing the company to concentrate on the most talented prospects.

Another method that would also aid in a company's efforts to decrease employee turnover, retain critical talent and increase productivity is the implementation of a systematic induction and training process. Such a system would begin with the induction of an employee into an

organization followed by a standardized training approach. This method would permit for the easy evaluation of the training itself as well as the employees acquired knowledge, skills and abilities after the training. This coupled with a tailored compensation and motivation effort which takes into account the different factors that influence employees can create a reward system that not only encourages employees to work harder and bolsters their allegiance.

Though not all firms are built the same or have the same resources or conduct business in the identical manner, in order for any company to improve the effectiveness of their sales force it must thoroughly consider the factors touched upon in the theoretical discussion of this thesis. The creation of a successful sales force starts with selecting the right people for the job, training them sufficiently, designing a compensation package that would entice them to remain with the company and motivating them so that they find the job enjoyable and rewarding. The chart below summarizes the theoretical framework of this thesis.

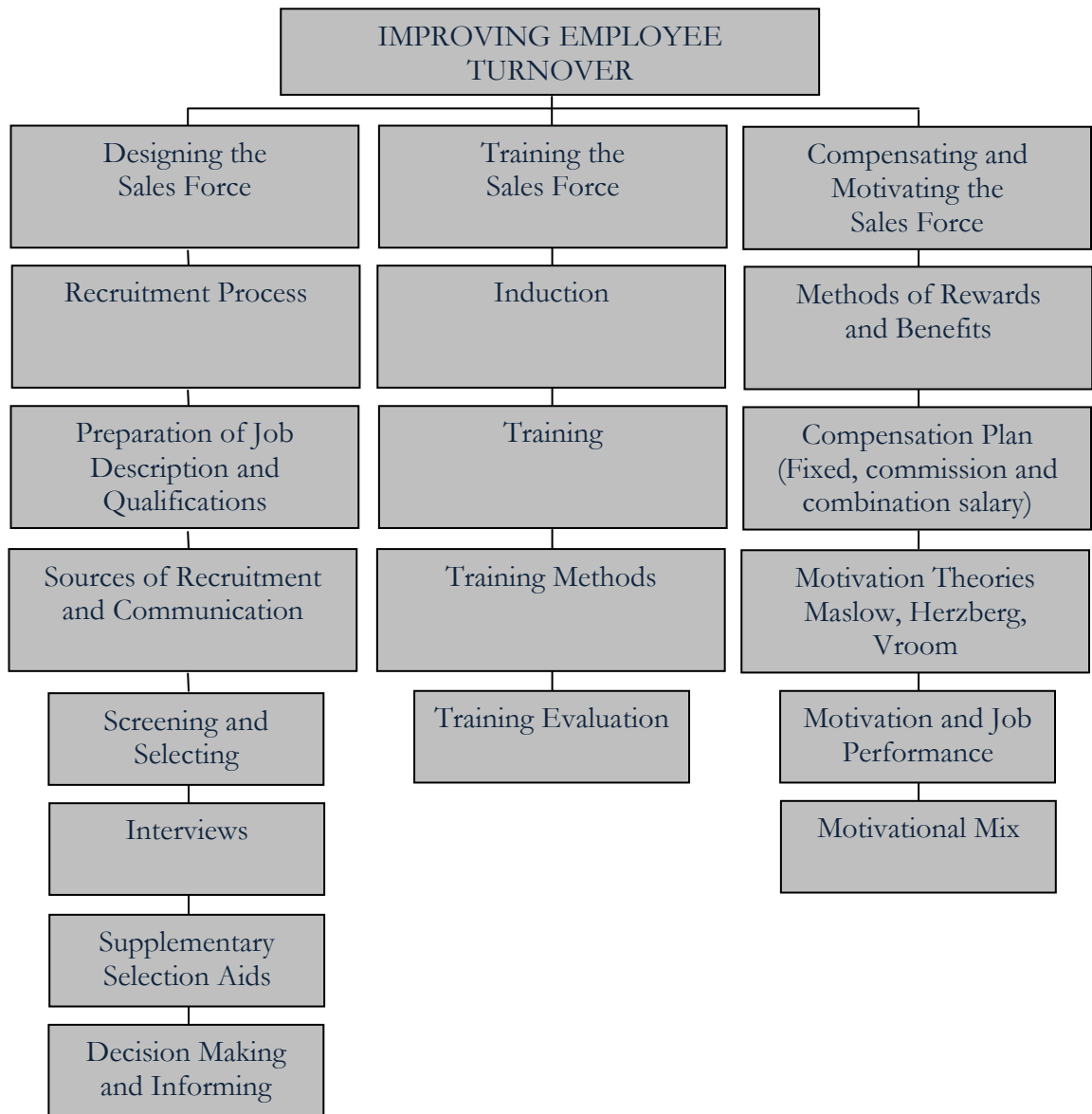


Figure 9. Conceptual framework of the study

### **3 Salesgroove Oy and its Current Human Resource Practices**

Salesgroove Oy is a direct marketing/sales call center company that though was established in late 2010 did not start official operations until mid 2011. The company, which maintains a principal business location in Helsinki, Finland is a limited liability organization with two primary stake holders. At its inception it was listed as a microenterprise in regards to the classification put forth by the Official Journal of the European Union (2003, 39), employing less than 9 persons but have increased the number of persons it employs, though employee turnover is high, since then. (Pertilä, A. 1 Feb. 2012.)

Based on the characteristics put forth in the recommendations of the Commission of the European Communities (2003, 39) Salesgroove Oy falls specifically in the small enterprise dimension in regards to its workforce size since it employees fewer than 50 persons though it only staffs 4 persons over the maximum requirement of a microenterprise, with 13 employees, excluding the owner. This includes 12 telemarketer/sales persons in addition to a sales manager. However that number can increase drastically during certain times of the year especially during the summer months, when students seek summer employment while out of school. (Pertilä, A. 1 Feb. 2012.)

While Salesgroove Oy being would be classified as a small enterprise in regards to the number of persons the company employees it is difficult to gauge its categorization from a financial perspective since as a private entity it is not required to disclose its records to public scrutiny. While the actual annual turnover of the company was not made available Salesgroove does operate in a business field traditionally plagued by difficulties with customer sales, low client retention and high employee turnover rates. (Pertilä, A. 1 Feb. 2012.)

Salesgroove Oy is an outbound call center which utilizes technological solutions and quality assurance programs to provide excellent customer service in an effort to help their business clients achieve maximum results through the use of the company's outbound marketing/sales approach. The company provides a variety of services, reaching out to consumers and businesses on the behalf of their corporate clients through an integrated call management system that systematically call consumers based on listings provided by the clients, record successful contacts, and when necessary, transfer those successful connections to a designated client company representative. Additionally, the software system utilized by Salesgroove Oy

allows for the easy monitoring and evaluation of not only the company's performance but also of the client companies core audience. (Perttilä, A. 1 Feb. 2012.)

### **3.1 Salesgroove Oy Service Offerings**

There are a variety of services offered by direct marketing/sales call centers which fall into one of two categories or a combination of both. These include a mixture of flexible inbound services such as order taking, product and service support, appointment scheduling, customer service, instant messaging and live chat, service response and dispatch. In addition, centers such as these also offer technical support, web site services and Help Desk, and conference, event, and seminar registration. In such instances customers are the active participants in the process since they are the ones seeking the services offered by the call centers. (Perttilä, A. 1 Feb. 2012.)

As opposed to the inbound services offered by some call centers, Salesgroove Oy primarily offers outbound services, which means they are the company's representative are the aggressors in regards to contact, presentation and closing with customers. This comprehensive array of outbound services includes lead generation wherein Salesgroove assist their client companies to identify the best residential or business prospects for them before the companies approach these prospective buyers. This type of activity is designed to generate interest in the products or services of a client company. It provides a pre-qualified listing of potential customers for the client company's representatives before they get involved in their sales process. This affords the client company's representatives more time to close deals which increases revenue and efficiency levels of Salesgroove's corporate clients. (Perttilä, A. 1 Feb. 2012.)

Along with the proactive marketing of client companies products and services to prospective and preexisting customers directly, Salesgroove is also involved in telesales and subscription renewals. By working from a contact listing provided by the client companies, Salesgroove representatives will not just try to market but also attempt to sell the products and services of the client companies to consumers. In addition, Salesgroove also performs subscription renewals to provide rapid, cost-efficient methods for delivering subscription reminder notices by phone or emails to customers to ensure higher subscriber retention rates and increased revenue for client companies. (Perttilä, A. 1 Feb. 2012.)

Working through the telesales approach allows for the possibility of upselling, a service which Salesgroove also provides. In such cases when a customer is contacted the personnel of

Salesgroove will expose the customer to related products and service options that they may have been previously unaware of before. A notable example of an upsold product is the extended warranty which can be purchased on an electronic device. This is not an additional sale or cross sale and can be easily accomplished through asking a few simple questions of the customers. (Perttilä, A. 1 Feb. 2012.)

Besides telemarketing, telesales, lead generation and subscription renewals, Salesgroove Oy also provides mail follow up and soft selling for their client companies. This action is done in concurrence with mass-mailings performed by the client companies about their products and intended to be as friendly, knowledgeable follow-up call to improve the success rate of the direct mail campaigns, help close the sale and build a strong long-term customer relationship. This follow-up process can create new sales, improve the lead qualification process and reduce the overall post-mailing costs for the client companies. (Perttilä, A. 1 Feb. 2012.)

In conjunction with the mail campaign follow up and soft selling Salesgroove Oy also does list cleaning for its client companies. Over time the accuracy of the data a company has regarding its customer listing is degraded due to a variety of reasons, such as customers changing their telephone numbers or relocating to a different address. This makes it difficult for companies to continuously reach out and gain access to their target market which in turns reduces the effectiveness of their different marketing and sales campaign. Salesgroove performs contact verification of customers through checking the integrity of the data provided by their clients by confirming such things as customer gender, address, telephone and proper resident and/or business identification. Through list cleaning and the creation of an accurate database, Salesgroove allows its client companies to allocate their valuable resources, including the time it would have taken them to check expired or invalid customer information, into actually developing a marketing strategy that can reach their target market. (Perttilä, A. 1 Feb. 2012.)

The services of the Salesgroove Oy fall in three categories, target, sell, and development. The company identifies the most viable prospects for their client companies which allows for the precise targeting of marketing and sales campaigns. Successful participation in the sales process serves as a base for Salesgroove to build a strong and dynamic relationship with its clients which, it hopes will continue to purchase more services from the company. The third category, development is in the form of customer service and communication since the company is able to obtain a variety of information from customers during its call services that are vital to the success of their client's efforts. In order to continue to deliver in these three categories the

company needs to maintain the performance of its staff members through a flexible human resource policy that reflects its identity. (Perttilä, A. 1 Feb. 2012.)

## **3.2 Human Resource Procedures of Salesgroove Oy**

According to Andersen (2003), the owners of SME's are at times indifferent to personnel or human resource issues such as training and development, performance management and employee counseling. The primary reason behind this lies in the fact that HRM is often seen as an untailored system that is steeped in rigid time consuming convoluted procedures that incurs too a high a cost to be carry out consistently. Compounding this issue for Salesgroove is the fact that the company operates in an industry that traditionally does not attract a tremendous amount of high potential employees. (Perttilä, A. 1 Feb. 2012.)

### **3.2.1 Recruitment**

The responsibility for designing the sales force of Salesgroove Oy is that of the sales manager under the direction of the owner. This process starts with the creation of the job description along with the relevant qualifications prospective employees should possess. Because of the nature of the job, the position of “less is more” is taken in regards to the description and qualifications of the job since a majority of people are aware of the activities that a telemarketing/sales company carries out and the expectations that go along with it. Usually the search for new salespeople is conducted via Internet announcements for open vacancies on the company's own web pages and some job search sites, such as the Finnish Employment and Economic Development Offices, which post the job details at no cost to the company. A third avenue that is utilized is “word of mouth”, wherein employees are encouraged to inform individual friends who they believe may be successful in this line of work to apply for a salesperson position in Salesgroove Oy. (Perttilä, A. 1 Feb. 2012.)

Apart from the three primary methods employed by Salesgroove Oy to recruit salespeople, the company also participates in recruitment fairs and uses the employment services of universities and polytechnics. The fact that the company has such a flat hierarchical structure makes internal recruitment a non-existing practice in the firm, which means that every applicant is new to the company. This situation places some additional stress on the screening process so every application, which is normally submitted electronically, whether through email or via Salesgroove's own web pages, is reviewed and evaluated based on the criteria established in the

job posting. Based on the review of the application of the candidates, those possessing such things as the necessary language and computer skills along with any relevant experience are chosen to participate in the interviewing process. (Perttilä, A. 1 Feb. 2012.)

A basic recruitment listing for the Salesgroove Oy salesperson position as translated from Finnish to English reads ‘We are involved in the sales of our client’s high quality products to customers and are in need of an array of new guns to increases our sales. We offer flexible working hours which can be agreed upon as long as you meet the established sales targets on site. To conduct work effectively, we use the principle material provided by our client companies and data gathered through the telephone calls as well as a modern ring system.’ Apart from possessing the minimum requirements for the position, the recommendation of a current employee is a strong determinant in regards to selecting which candidates the company will invite to the interviewing stage of the recruitment process. (Perttilä, A. 1 Feb. 2012.)

### **3.2.2 Selection**

The interviewing stage of the recruitment process of Salesgroove Oy is usually conducted by the sales manager and involves a simply review of the candidates application and qualification. A brief overview of the company is presented and a series of questions, based on the candidates backgrounds are asked. It takes form in an informal interview in which no cognitive ability or self reporting traits are measured to assess the capabilities of the candidates or computer skills test administered to understand a candidate’s basic comprehension. Instead, at the core of the interviews is the evaluation of the candidate’s behavior and motivational factors as they relate to the work and the working environment with attention being paid closely to certain characteristics that have been deemed important to the position. According to Perttilä (1 Feb. 2012.) some of these characteristics include:

- High self confidence and upbeat personality
- Likability
- Good communication skills (listening and oral)
- Achievement oriented
- Customer oriented
- Trustworthiness
- Good timing

(Perttilä, A. 1 Feb. 2012.)

These are some of the qualities that the management of Salesgroove Oy believes are traits exhibited by the person who has the right type of personality for an outbound sales representative. As such, the stance that through adequate training, the right type of person would excel in the sales force of the company is chosen demonstrating that the selection process of the interview stage is based primarily on individual assessment rather than a rigid methodical system. Through utilizing this informal interviewing method, Salesgroove wishes to select the right type of person for the job, which not includes the competence to carry out the duties associated with the position but also the ability to adjust into the working environment of the company. (Perttilä, A. 1 Feb. 2012.)

### **3.2.3 Training the Sales Unit**

When a sales person joins the sales force unit of Salesgroove Oy, it is under the assumption that the person is already in possession of most of the basic skills and abilities that are necessary to perform the duties of the position. These capabilities include working independently, time maintenance, setting personal goals and self motivation, to list a few. Having prior knowledge and/or experience of the telemarketing/sales industry is an added benefit, which usually affects the level and time of training required, but regardless of this, training and when necessary re-training is continuous in order to keep the employees abreast of new services development and strategic goals of the company. (Perttilä, A. 1 Feb. 2012.)

Training for the sales unit of Salesgroove generally comes in three forms, but not all employees have to participate in them. Participation in each training stage is based upon the training needs of the individuals and usually involves the basic of telemarketing/sales, skills and technique development discussions, procedure, equipment use and reporting, on-the-job training and coaching and finally, self training. The training programs are conducted on a continuous basis as new employees enter the workplace and are usually carried out on in one-to-one session, though the length of time varies between employees, depending on past experience, knowledge and their ability to absorb and make use of new information. (Perttilä, A. 1 Feb. 2012.)

The introductory training session which involves company, industry and product and service presentation is conducted in the first two hour of employment for new hires. In addition, instructions on the use of the work equipment (i.e. telephone, blackboard, computer), computer software and programs and processing procedures are covered. This initial training

session is carried out with a trainer, usually the sales manager, either on a one-to-one basis or in small group setting. At its conclusion, a review of the material is performed and if necessary, additional training is conducted. (Perttilä, A. 1 Feb. 2012.)

After a satisfactory introductory training session new employees begin their on-the-job training. During this time the trainee is paired with a seasoned employee as he/she performs the various tasks associated with the position. The trainee is familiarized with the process of conducting outbound call services from accessing the company's ring system to retrieve the information for the next available customer listing, determining the product and/or service to offer to the customer to initiating the sales call. Trainees learn first-hand the various approaches that can be used to not only generate interest in a product or service but also gain the confidence of the customer in order to influence their purchasing decision. Trainees learn through observation how to record the outcome of a sales call and update any relevant customer information. (Perttilä, A. 1 Feb. 2012.)

With the guidance of the on-the-job training instructor new employees during their first day of employment begin to conduct outbound call services using the different techniques to assess the customer's attitude, interest in the product and/or service offerings and willingness to purchase. At the end of the on-the-job training process new employees are assigned a work station and encouraged to start conducting self guidance work. During this stage, new employees take the time to become completely familiar with the products and services that they will be enticing customers to purchase and adjusting the approach to performing outbound sales that they learned becoming comfortable. (Perttilä, A. 1 Feb. 2012.)

Once the initial training process is completed, coaching continues for up to a week depending on the needs of the new employee, their adjustment, ability to absorb the new information and processes and based on the observation of the trainer. During that first week of employment additional coaching is combined with self training for new members of the sales unit. Its success is evaluated at the end of one week of employment by the sales manager and the OJT trainer to allow the new employees the chance to correct their sales approach and align it with the strategy of the organization. This is done in an effort to provide the participants with the skills and knowledge needed to effectively reach and if possible, surpass the sales the established targets, manage customer relationships and adjust to the working environment of Salesgroove Oy. (Perttilä, A. 1 Feb. 2012.)

### 3.2.4 Compensating and Motivating the Sales Force

Call center compensation plans can come in a variety of combinations from a straight flat salary to unlimited commission based plan. Salesgroove Oy offers a compensation plan that includes a fixed base salary and a commission along with each sale that an employee produces. The base salary and commission program also increases the longer an employee remains with the company. This increase is calculated in accordance with not just the amount of sales that an employee manages to close but also the ‘soft’ contributions an employee brings to the organization, such as maintaining a high performance level while providing training to new members of the sales unit. (Perttilä, A. 1 Feb. 2012.)

The base salary when compared to other companies in the same industry is considered to be higher than normal and is guaranteed whether or not an employee meets his/her established sales target. In this fashion, regardless of the commission attached to the sales of certain services or products, a fixed portion of the monthly salary of the sales unit personnel covers a varying percentage of their compensation. Hence, each employee’s total monthly salary will vary based on their sales performance. (Perttilä, A. 1 Feb. 2012.)

The commission portion of the employee’s monthly compensation within Salesgroove Oy is based on a fixed grade rather than a laddering or compound structure. Simply, for each sale that an employee is able to complete, that employee receives a fixed amount in commission. Any sale that is achieved after employees have exceeded their quota though is not met with a higher commission rate. Of course the base salary and the commission rate of an employee’s compensation plan increases with displays of loyalty on the employee’s part demonstrated through longevity within the organization. (Perttilä, A. 1 Feb. 2012.)

With the fixed base salary being determined in the employment contract, the commission part of the compensation plan for Salesgroove Oy is based strictly on sales success of certain activities. While the company considers that their prospecting, lead generation and mailing follow up services are important, they are a byproduct of the telesales activities, including subscription renewals and up-selling, that are performed by the employees. Hence, while some calls may simply result in the updating of the customer information, such as address changes, which may be pertinent information for the client companies, they do not yield any commission or count towards meeting any quotas. (Perttilä, A. 1 Feb. 2012.)

While the exclusion of a bonus plan that would be based on all the activities that the sales team of Salesgroove Oy performs that does not contribute to the employees meeting their quotas is a demotivating factor, it is necessary. Such activities (i.e. lead generation, list cleaning and mailing campaign follow-up) require a person to have good data entry skills and may provide an advantage for employees who are better typist for instance. In addition there are no “fringe benefits’, such as company provided mobile phones, lunch vouchers or travel or credit cards. However, the employees of Salesgroove do enjoy the flexible working hours and friendly environment provided by the company along with other motivational tools used to challenge, stimulate and maintain worker productivity. (Perttilä, A. 1 Feb. 2012.)

Salesgroove frequently uses the inherent competitive nature of their sales force in order to boost the sales productivity. Results from calls are posted on a whiteboard in the office for all employees to view and therefore track and compare their progress with their colleagues. When a sale is closed successfully, it is announced in an effort to drive other employees to meet and surpass it. These successful sales calls are posted according to the employee’s name along with the units that were sold and the length of time that was needed to complete the transaction. Weekly staff meetings are also used as a motivational tool within Salesgroove Oy. While the primary purpose of it is to monitor the group success, track the sales quotas and inform staff of new product or service offerings, it is also to discuss the accomplishment of individuals, which serves as motivational success stories. (Perttilä, A. 1 Feb. 2012.)

## **4 Research Methodology**

Research methodology refers to the balanced systematic approach on which a research is constructed (Amaratunga, Baldry, Sarshar & Newton 2002, 18). This section focuses on the research philosophies and methods that were utilized to essentially describe what is known and what is assumed about the subject matter and the manner in which the study was conducted. An explanation of the procedures that were followed in the research is explained along with the ontology and epistemology. This is followed by the presentation of the research strategy and the techniques that were utilized for the collection and analysis of data relevant to the research. Finally, a discussion of validity and reliability of the study will close this section

### **4.1 Research Philosophies and Justification**

The singular phenomenon that this research revolves around is human asset management and aims to create a framework and working practice through which the spotlighted company, Salesgroove Oy can ultimately improve client satisfaction, increase profitability and expand its business. The primary focus of the study is to improve the employee turnover rate of the company through incorporating certain human resource practices. To aim is to discover where emphasis should be placed on certain human resource activities. The study is conducted by exploring the experiences of staff members, their perception of various activities within the company and the effects it has on their job.

In order to understand the human experience derived from the circumstances present inside Salesgroove Oy, some preconceived assumptions, which dictates the manner and surroundings in which the information is gathered and deciphered is relied upon. These ontological perception, which concerns the social reality or setting of the problem or question being explored, in this particular instance is subjective in nature and not based upon a set of detached or neutral parameters. (Healy & Perry 2000, 120.) In the case of Salesgroove, the work environment, which is pressure intensive, does little to promote a sense of continuity with undertrained employees conducting restrictive and repetitive tasks under the close scrutiny of a sales manager. This lack of continuity, while negatively impacting the employees making a concerted effort to excel at the job or remain for long, also creates an atmosphere in which managerial decisions, such as employee management or problem resolution are based primarily on circumstantial situations without definite procedures. Making up this reality is a collection of

individuals who have different concerns and aspirations, some of which are in the best interest of Salesgroove Oy.

The firm first needs to implement structured procedures based on the organizational strategy which requires productive and profitable commitments from its sales people in order to not just cover the cost of its expenses, such as rent, utilities and salaries, but also to fully meet all the expectations of its client companies. To accomplish this, the company needs to establish structured human resource practices regarding the recruitment, selection, training, and compensation and motivation of its sales people. This is in an effort to satisfy the purpose of operating the company, which is to make a profit, sustain growth, provide as high as possible return on investment for its investors and ensure the satisfaction of its client companies.

The epistemological assumptions, which concerns knowledge and how it is acquired and transmitted, here is that the knowledge gained from this study will be considered soft (Healy & Perry 2000, 121). The research is constructed based on various theories concerning human resource processes, which serves a platform on which face-to-face interviews are conducted to obtain the desired information to help to address and formulate a solution to the issues present in Salesgroove Oy. This is done in order to fully appreciate the subtleties of the setting of the research, which are the work environment of Salesgroove and the people being interviewed, in comparison to the expected ideological assumptions that are made (Pulkkinen 2009).

The nature of the research demands that a qualitative approach be utilized in order to gain a comprehensive understanding of the stakeholders, their values, opinions, motivations and behavior and the knowledge gained from the study (Amaratunga, Baldry, Sarshar & Newton 2002, 19). Through this approach an understanding is gained about how the employees currently view the company, how the HRM strategy can be designed and incorporated to appeal to the current employees, as well as any future prospects of Salesgroove Oy. Additionally, since the process explores alternate perspectives, the knowledge that is gained from it is based upon the experience and interpretation of this researcher.

## **4.2 Research Strategy**

Based upon the research environment and situation and the qualitative inquiry that is utilized a case study research strategy is deemed the most suitable approach. The fact that a contemporary phenomenon is being investigated within its real-life context from which

evidence is gathered through multiple sources and the boundaries of the phenomenon and its context are not abundantly clear makes a case study research method the most practical approach to gathering information and learning about the phenomenon (Yin 2009, 4). The research strategy outlines the research approaches and interview strategy (how the interviews structured and were conducted and what observations were made) and how the interviewees were selected.

#### **4.2.1 Qualitative research method**

A qualitative research method was chosen for this study because of the nature of the event being examined. With a qualitative approach, the study can answer 'how' and 'why' the phenomenon occurs by providing a deeper understanding of the phenomenon as well as the motives and values behind the phenomenon and the behavior that produced them (Marschan-Piekkari & Welch 2004, 109-110; Hyde 2000, 83). A qualitative study allows one to conduct more reliable and in depth interviews that can be open in nature and evoke more responses from interviewees by going beyond the limits quantitative research in this circumstances which would simple measure employee preference or motivating factors (Amaratunga et al. 2002, 23).

While quantitative methods can identify the right results based on numerical data, a qualitative study can explain the reason certain data was given and how this insight can be used in practice. By analyzing the culture and behavior of targeted individuals from their perspectives in their surroundings one can gain such insights through a qualitative approach. (Amaratunga et al. 2002, 23.) Beyond the above listed considerations, it is also obvious that given the small amount of people that have details on the state of Salesgroove's recruitment, selection, training, and compensation and motivation procedures, a qualitative research approach is the most suitable method to obtain significant data on how to improve the company's practice.

#### **4.2.2 Interviews as a method of collecting data**

As discussed before, the aim in this study is to develop a set of human resource procedures tailored to fit the organizational strategy of Salesgroove that will regulate the recruitment, selection, training, compensation and motivation of sales personnel in the company. By implementing a working practice in this regard, it is believed that such system will improve the employee turnover rate of the company. In order to accomplish this, a deeper understanding of

the research problem, being why the company has failed to retain its critical talent must be gained, which is the reason why a qualitative approach using interviews is employed.

The use of qualitative interviews can produce in depth data on a phenomenon. The research interview is a collaborative inquiry process designed to gather information that can be used to not only identify but possibly solve problems within the company. The interviews offer a glimpse into the interviewee's perspective the on subject matter, including its meaning, relevance and impact upon the particular individuals. (Amaratunga et al. 2002, 23.) In order to obtain a variety of answers from the same questions during the interviews open-ended questions are asked in a semi-structured format, which permits this researcher to maintain a grip on the direction of the discussion by participating in the research, thereby gaining a better understanding of the emerging themes (Healy & Perry 2000, 121).

The open-ended nature of the questions in the interviews allows for flexible responses from which the life centric forces of the Salesgroove Oy as perceived by the employees can be identified. This can allow the leadership of the organization to compare the unique set of values and processes that they established as the building blocks of the company with the image the employees gather. The interviews and questions are design to define and specify the experiences of the respondents in regards to the working practices of the organization, their assessment of those practices and what could improve them and their appraisal of their colleagues' experiences. (Cooperrider, Whitney & Stavros 2003, 2-3)

### **4.3 Data Collection**

Everyone will experience the exact same things differently, thereby drawing separate conclusions and relating the events differently. For this reason it is extremely important that the data collection during qualitative research interviews, which focuses on gathering information on ordinary events occurring naturally in a natural setting, be as comprehensive as possible. (James, Milenkiewicz, & Bucknam 2007, 65.) Essentially then, the quality of the data depends to a great degree on the abilities of the interviewer to get the respondents to exceed the simple reflection of the questions in their answers. This has allowed this researcher to maintain focus on the subject matter during the interviews, thereby permitting a better concentration on the core themes (Healy & Perry 2000, 121).

The initial interviews took place on the premises of Salesgroove Oy, in the Sörnäinen neighborhood of the city of Helsinki over the course of three days in November 2012. All the interviewees were asked the same questions in same sequence in order to compare the answers with each other. Altogether twelve persons were interviewed during this period all working in the same position in the company, though for various lengths of time, the longest being approximately one and a half years and the least being a few weeks. In order to limit the amount of interference this had on the respondents work hours, the interviews were conducted during their break time, which volunteered. These interviews took place in a conference office to provide privacy and allow for both this researcher and the interviewees to give their full attention to the process.

The interviews were prearranged based in part on pragmatic considerations, namely time and availability of the interviewees and each lasted approximately 30 minutes, which constituted the length of the respondents break time. Of the interviewees, 8 were male and 4 were female and each had a working period of roughly 3 months with the company. All the interviews were recorded using a voice recorder with the knowledge and permission of the interviewees. Still, some interviewees expressed concern about will have access to the recording and voiced their opinion that the fact that they are being interviewed and recorded may influence their response to the questions. This researcher was keen to establish his past experience in the telemarketing/sales industry and emphasized that the interviews were completely confidential, even pointing out that no names were asked.

Table 3. Illustration of the background information of the Salesgroove Oy employees that were interviewed for this research

Interviewees Information												
<b>Interviewee</b>	1	2	3	4	5	6	7	8	9	10	11	12
<b>Sex (M/F)</b>	M	M	M	F	F	M	F	M	M	F	M	M
<b>Time with firm (weeks)</b>	72	8	16	3	4	5	12	28	3	6	38	3

The interview questions contained four themes, namely the recruitment and selection process the interviewees experienced, the training they were afforded, the compensation and motivation they are given and direction they would like to see the company take in the future. Through investigating these themes the researcher had hoped to establish the strengths of Salesgroove in

these areas and therefore identify the weaknesses the company has in regards to managerial assets and workforce dynamics. The questions were aimed at finding out what working practices and measures can be improved in order to retain the most talented employees and decrease the company's turnover rate.

The theoretical arguments were used as a platform to form the questions for the interviews which were geared towards collecting applicable data that would be needed to understand and find recommendations to problem correct the situation in Salesgroove Oy. These questions were written and asked in clear punctuated grammatically correct English sentences in an effort to limit misinterpretations of what was being asked. In return, the fact that the interviews were recorded allowed this researcher ample time to review the answers given by the respondents to each question to truly gain an understanding of the observation and experiences of the interviewees. The fact that all the interviewees, who were all of Finnish heritage, except one, spoke English well speaks to the level of education available in Finland, which makes this researcher believe that their level of comprehension of the language was equally as high.

The second stage of the interview process involved two group interviews made up of 5 people in each group, since two of the original interviewees had vacated their position with the company since the initial interviews. These interviews occurred in December, 2012 over the course of 2 days and lasted for approximately a half hour. Unlike the initial interviews, these are conducted at towards the end of the working day of the interviewees and bluntly inquired what managerial practices or incentives would inspire the respondents to work efficiently and remain with the organization. The purpose was not to evaluate the current practices but to find out what steps can be taken to make improve the human resource practices of the company.

#### **4.4 Data Analysis**

In any qualitative research the evidence collection and thus the knowledge obtained from the study is subject to the biases of not just the interviewer collecting the data but also the respondents providing it (James, Milenkiewicz, & Bucknam 2007, 65). Hence the experiences of this interviewer, having worked in the telemarketing/sales industry in the past has provided him with sufficient information about the work environment and subject matter to not just record the sole answers of the respondents but to identify possible prejudice in them through his own observation. This made the data analysis unproblematic since this researcher could

relate to the interviewees responses and understand the motives behind them (Carson, Gilmore, Perry, & Grønhaug 2001, 83).

There are a variety of approaches available in qualitative data analysis makes it difficult to pick a set of criteria for interpreting the quality of the information. Such analysis is dependent on representing the respondents in their familiar setting and on their terms to provide a holistic picture of their environment. (Russell 2012, 355.) To accomplish this the data collected during interviews must to be categorized according to the clues found within the data, which can communicated linguistically or in the form of non-verbal signs. Hence the data must be documented and collected, then organized according to concepts into categories, which will help in the identifying connections in the concepts and how they may influence each other. This in turn makes it easier to corroborate the findings before the researcher can report the outcome. All of this though begins in the field, at the time of observation during the qualitative interviewing process. (Russell 2012, 325.)

According to Russell (2012, 326) the documentation, categorization, connection, evaluation and representation of the data gathered from qualitative research falls into three analytic components: data reduction, data display, and conclusion drawing and verification. Data reduction is the process of selecting and targeting the data, which begins with the formation of a theoretical framework and related relevant questions, then proceeds with collection of the data and ends with focusing on themes that continuously emerge throughout the collected information. Once the data is reduced to the dominant themes it can be displayed to determine its legitimacy before conclusions are drawn. This process is ongoing and interactive from the beginning to the end of the research. (Russell 2012, 326-332.)

The goal of analyzing the data was to simplify the results and interpret information on the basis of existing theories, thereby safeguard the integrity of the data and further developing them to gain an understanding of an event (Mayring 2000). The data collected from each round of interviews with Salesgroove respondents was analyzed in order to identify common themes and patterns that ran throughout the contents. The purpose for this was to organize the respondents' answers according to their differences and similarities in an effort to perform a more objective evaluation of the information gathered from the interviews, which allowed for a concise summarization of the findings (Carson et al. 2001, 83).

A content analysis approach was used to analyze the data, where in groups of words were coded into categories based on their themes (Carson et al. 2001, 83). These codes allowed for the easy identification and grouping of patterns in relation to a particular question and/or topic. In addition, notes were made to distinguish arguments that this interviewer thought were misleading based on the observation of respondents who appeared unwilling to disclose their sincere opinions or experience. Based on the categorization of emerging themes into a coded matrix for easy analysis the following codes were created:

- RT (recruitment tactics)
- TP (training process)
- CM (compensation and motivation)
- FD (future dream)
- WM (word of mouth)
- MOL (Finnish employment office)
- ST (too short)
- MD (more detail about product)
- BT (better sales tactics)
- MO (more observation)
- SR (recognition for sales)
- MQ (meet quotas)
- OS (outselling colleagues)
- BP (bonus plan)
- EP (extra pay for helping to train new recruits)
- LQ (lower quotas for helping to train new recruits)
- MT (more trust from sales manager)
- VG (video games in break room)
- MD (more diversity)
- UD (updating dial system)

By using this coding system this researcher was better able to group the answers given by the respondents according to their similarities and dissimilarities and compare them to the theoretical support on which the research is based. A clear picture of what is desired, what is obtainable and what needs ongoing improvement in the human resource practices of

Salesgroove Oy to help the company improve in the future according to the respondents was presented. It must be noted that this researcher was careful in his approach during the collection and analysis of the data and remained mindful that while the interviews were conducted in English, the 10 interviewees speak Finnish as their mother language, while the other two indicated that they were natural Swedish and Estonian speakers respectively.

#### **4.5 Validity and Reliability**

Unlike the techniques used to appraise quantitative data, there is no limit to the amount or types of variables that may be considered when evaluating data collected from qualitative research because each interviewee will interpret the questions based on their reality and answer accordingly (Mayring 2000). Likewise, it is possible that this researcher may have let his preconceived notions and experience about the evidence influence his interpretation of the responses given by the interviewees, which is all part of the qualitative research process. (James et al. 2007, 68). Hence, verifying the validity and reliability of the study is grounded in the construct of the processes and intentions of the project (Golafshani 2003, 604).

Qualitative research is fundamentally the examination of collected data gathered from inquiries into a particular phenomenon or problem to question theories, compose variables and/or measure data. Whether the research is in the form of experimental, causal-comparative, correlation or survey research, the study simply seeks to gain a comprehension of a social/cultural phenomenon by examining the respondents in their natural settings and formulating findings based on a combination of information obtained from document reviews, interviews and observations. (Maxwell 2005, 23.) To determine if a proper comprehension of the phenomenon is reached the project must be able to demonstrate the transferability, dependability, conformability and credibility of the entire research process (Suter 2012, 362).

Unlike in quantitative research, the reliability of qualitative research cannot be proven simply by gathering evidence to support the claim that similar findings would be obtained if the study were repeated. Even within the same context with the same participants, another study would be considered new and generate different results because of the ever-changing social world and perceptual shifts that the participants are exposed to. (Suter 2012, 363.) The pure nature of qualitative research dictates that instead of proving reliability, the aim is to illustrate analytical generalization drawn from the interpretation of the information obtained during the interviewing process. Hence, while the results cannot be considered as commonplace in the

populace, they can be regarded as such in respect to theory. (Amaratunga et al. 2002, 25; Golafshani 2003, 604).

The fact that qualitative research is not about exactly measurements that can be authenticate numerically and reproduced in another research means that interviews must support one another, without significant differences that would question the reliability of the conclusions drawn from the research process (Amaratunga et al.. 2002, 25; Golafshani 2003, 604). It is for this reason that understanding the phenomenon that is being studied is the most important aspect of the research, because unlike the results, it will not vary. This is where the validity of the research resides. (Suter 2012, 363.)

Essentially, the daunting task for qualitative researchers is to take massive amounts of data gathered usually from interviews, along with detailed field notes from extensive observations, and communicate what the data reveals in a credible way. Therefore focusing on the quality of the data, its analysis and the resulting conclusions is only way to make sure the research is valid. To ensure that the data quality obtain from the research is good, the respondents, who are themselves part of the phenomenon, and researcher, who in turn is actively participating in the phenomenon, must communicate freely and honestly. (Suter 2012, 363.)

The familiarity of this researcher, having worked in the telemarketing/sales industry before provided him with sufficient knowledge about the phenomenon being studied to conduct the interviews. This researchers preexisting understanding of the subject allowed for reflection on not just the collected data but his own experience and proved vital in evaluating the data obtained during the interviews, in which he was careful not to impose his own views or lead opinions. In addition, the interviewing area, being closed to others, permitted the honest and open delivery of responses from the interviewees.

Further steps were taken to maximize the validity of the research apart from this researcher, whose basic knowledge and insights along with his experience as a telemarketer/sales person which helped in understanding the phenomenon as it occur in Salesgroove Oy, accepting his participation in the phenomenon being studied. This researcher made sure that the research problem was actual and relevant in nature and appropriate for the focus company. While the number of interviews were small, there were multiple respondents and a significant amount of data was gathered which can be used to help replicate the study, though the findings may vary.

Once the interviews were concluded the data was then collected, summarized and coded before being evaluated based on predetermined theories. The process is described and scrutinized in detail to identify and understand the phenomenon being studied. Healy and Perry (2000, 122-124.) Since the responses to the inquiry were subjective, containing multiple perceptions about a single reality, the validity of the study from an internal perspective is applicable to Salesgroove Oy. (Amaratunga et al. 2002, 25).

## **5 Analysis of the Empirical Study**

In this chapter the findings of the study are introduced and discussed based on the data collected through interviews and observations with employees of Salesgroove Oy during the research. These interviews center on the recruitment and selection, training, and the compensation and motivation practices of the organization. This was done to essentially discover how to improve these practices in this organization with the goal of decreasing the employee turnover rate of the company, which in return will help the organization retain talented employees who can aide Salesgroove Oy meet its strategic goals and objectives.

### **5.1 Job Description and Qualification**

The investment in its human capital is the first line of defense for any company trying to improve their operation through obtaining and retaining the highest quality employees it can afford. Hence, the job description and qualification needs to attract the right type of people. In regards to this Salesgroove Oy has deviated from the traditional path presented through different theoretical approaches. Instead of following the more utilized practice of presenting a job description that is specific and detailed, which illustrates the functions of the position according to priority, the essential role of the position and the criteria on which candidates will be judged based along with prerequisite experience as presented by Donaldson (2007, 192), Pilbeam and Colbridge (2006, 147) and Jobber (2007, 572), the company has opted for a “less is more” position.

The job description and specifications, while abiding by legal restrictions placed on such things so not to unlawfully discriminate against applicants, which according to Torrington et al. (2008, 146) is important, is sparse in regards to the requirements, duties and qualifications of the salesperson position in Salesgroove Oy. It does not provide what Futrell (2001, 172) refers to as a blueprint on which candidates can evaluate the position and thus their interest in the position, determine their ability to perform the tasks of the job or even estimate their possible performance in the future, if they so choose to accept the job. At present, the job description and specifications as listed on the company’s website and in certain job search sites is simply an acknowledgement of an existing opportunity in a telemarketing/sales company which offers a competitive compensation package and is conveniently located along a major transportation artery in Helsinki.

**Table 4. Findings summary of job description**

Job Description	
<b>ADVANTAGES</b>	- Open to interpretation
<b>PROBLEMS</b>	<ul style="list-style-type: none"> <li>- Provides no job detail such as essential duties or related tasks</li> <li>- Provides no job specifications such as necessary skills, experience or knowledge</li> <li>- Does not specify working hours</li> <li>- Does not describe working conditions or environment</li> <li>- Provides no material to help prepare for an interview</li> </ul>

When one considers the methods of communication in regards to job search today, the Internet according to Armstrong (2009, 524) is by far the most utilized and therefore should be exploited to the fullest extent, with information about job description and specifications being provided in abundance. In order to hire and train the best candidates for the job, Salesgroove needs to attract people who know what they are getting into. Regardless of the assumption that most candidates already possess knowledge of the activities and expectations of a telemarketing/sales company, the company is limiting the access they have to a broader audience of candidates. In addition, from Pilbeam and Colbridge (2006, 156) perspective, providing such a limited amount of information about the job means that time and therefore money is being squandered through communicating with candidates who are unaware of the general practices found within the telemarketing/sales industry.

## **5.2 Recruitment and Selection Process**

When compared to the theoretical discussion regarding recruitment avenues that can be used by companies, Salesgroove has forgone the use of print advertisements, which Bohlander and Snell (2007, 183) consider to be the most effective method, mainly because of the expense associated with it. But, the company has followed established steps by starting with personal contacts through current employees to find appropriate candidates to fill positions which according to Donaldson (2007, 197) is how a vast number of people learn about job opportunities. This, in addition to posting employment opportunities through the Internet has continued to provide Salesgroove with a flow of applicants, though their qualifications may not fit the desires of the company. Additionally, the company has deviated from a recruitment path recommended by Donaldson (2007, 197) and has neglected the opportunity that recruitment fairs and universities and polytechnics employment services can offer.

Though Salesgroove acknowledges that educational institutes and fairs are viable venues to recruit qualified individuals, it is believed that the time and effort needed to invest in such active recruitment cannot be afforded. Instead, the company relies on a more passive approach in regards to these venues believing that the flat hierarchical structure of the organization will not attract the more career minded candidates one would normally find in various higher educational institutes. This not only dilutes the overall quality of the applicant pool but also hinders the growth potential of the company since employees who graduate from higher educational institutes and move along their career path to jobs in other companies may be in a position in the future to utilize the services offered by this organization.

While Salesgroove Oy has certain procedures that are followed when hiring new employees, the empirical research has revealed that the screening process for the interviewing stage is not used provided that applicants speak Finnish. This is because most applications are filled online on the company's website, which is only in Finnish. Based on the Torrington et al. (2208, 171) arguments presented in the theoretical portion of this research it is believed that the screening process is vital to verifying an applicant's experience, knowledge and skills in order to choose suitable candidates to invite for interviews. According to Donaldson (2007, 199), this should be a priority for the company because of its size and the time and effort it takes to invite, interview and assess candidates, many of whom may be inadequate for the position.

When one considers the stages of recruitment and selection as argued by Jobber (2007, 572), Torrington et al. (2208, 169), and Donaldson (2007, 191) in the theoretical portion of this thesis the empirical research reveals that there is a lack of sufficient information regarding the position and qualifications which is confusing for all parties involved. From the employee's perspective, the fact that they did not have the opportunity to review any job specifications or description left them puzzled about the position and unprepared for the questions that were asked of them, a point Donaldson (2007, 192) says is critical to the process. Hence, all the information they received about the position was verbally communicated to them during the interviewing process.

According to Bohlander and Snell (2007, 266) and Pilbeam and Corbridge (2006, 181), the interview process is a crucial element of the recruitment effort and should follow an established standardized approach. But based on the empirical research it was discovered that Salesgroove utilizes a very flexible approach when in regards to its interviewing process. The approach that

is taken with each interview is largely based on the interviewer's intuition and though Armstrong (2009, 541) argues that it should follow a predetermined structure to make it easy to compare candidates and ascertain their suitability for the position, the company takes a relaxed approach during the process. This situation combined with the lack of a proper screening routine has led the hiring of many applicants who initially accept the job but upon further reflection about the duties and compensation tied to the job later rejected the offer of employment. Improvements are needed in this area and should be considered in order to attract the best potential candidates.

**Table 5. Findings summary of recruitment and selection process**

Recruitment	Selection
<p><b>ADVANTAGES</b></p> <ul style="list-style-type: none"> <li>- Uses current staff as a source of advertising job opportunity</li> <li>- Uses various avenues (internet, employment office) to reach potential employees</li> <li>- Open to anyone regardless of skills or experience (possibility to find hidden gems and train them accordingly)</li> <li>- Passive approach which saves the company money</li> </ul>	<ul style="list-style-type: none"> <li>- Information is given about the company and products during interview</li> <li>- Interviews are short</li> <li>- Everyone is given a chance (possibility to find hidden gems and train them accordingly)</li> <li>-</li> </ul>
<p><b>PROBLEMS</b></p> <ul style="list-style-type: none"> <li>- Uses limited sources to reach potential employees</li> <li>- Applies a passive approach</li> <li>- Open to anyone</li> <li>- No real job description or qualification</li> </ul>	<ul style="list-style-type: none"> <li>- No way of preparing for the interview</li> <li>- Everyone is given a chance</li> </ul>

The means by which applicants can prepare themselves for the interviewing stage is vital to candidate's success in attaining employment but even with the scarceness of information regarding the telemarketing/sales position with Salesgroove Oy, some applicants are able to demonstrate their possession of certain qualities the company looks for in the employees. The people that were interviewed listed certain characteristics of the potential candidates for the telemarketing/sales position. Upon close scrutiny of this list of characteristics that included such things as goal oriented, enthusiastic, persuasiveness and self-confidence, most of them are similar to the ones recommended by authors such as Kotler and Keller (2006, 620) and Martin

(2011). This demonstrates a connection between the theoretical approach and the empirical findings and further stresses the fact that Salesgroove should determine what characteristics it values in its sales force and reinforce that commitment when hiring new employees.

### **5.3 Training procedures**

Although the range and combination of characteristics that a company looks for in potential employees is difficult to choose, once certain candidates are identified as being acceptable for employment and a job offer is extended and accepted the induction and training process begins. The induction of new employees as recommended by Pilbeam and Corbridge (2006, 196) into Salesgroove Oy begins during the interview phase of the recruitment process where information about the company and its service offerings are passed along to candidates. This process continues when the new employee returns to the facility to begin the training needed to successfully complete the duties of the sales person position, where in necessary documents are filled out and signed.

The training of the telemarketing/sales persons at Salesgroove is very good when one considers the nature of the position in comparison to the knowledge and skills that are imparted during the sessions. Once the background information about the company, service and clients are provided, both verbally and written, which gives the telemarketing/sales person's cues to refer to during sales calls to answer frequently asked questions the actual training begins. This process though in Salesgroove does not apparently take a systematic and planned routine as suggested by Armstrong (2009, 665). Instead it follows the intuition of the trainer and is based on the experience and skills the new employee claims he/she is in possession of.

In concert with statements made by Donaldson (2007, 206) Salesgroove does concentrate on evaluating the communication, including verbal and listening, and organizational skills of the new employees which are extremely important in the sales profession. But, where as Pilbeam and Corbridge (2006, 196) argued that such things along with basic information should be assessed and presented during the induction stage in an orderly fashion to prevent confusion, Salesgroove's approach provides a large quantity of information in a small amount of time, which can be daunting to new employees. This situation which Pilbeam and Corbridge (2006, 196) refer to as 'information overload' was particularly unnerving for some employees who thought that the initial lack of information presented in the job description that they were

bombarded with during their job interview did not prepare them for the fast pace of the training session. This was a cause for alarm for some in regards to what was expected of them to maintain a high work performance.

The unorganized manner in which the training proceeds in Salesgroove Oy often excludes some information which Donaldson (2007, 206), claims is vital in the training process. Information about the company's competitors and their product and service offering are not included in any form in the training sessions, though they can provide the employee with tools they can use during sales transactions. But, given the industry background this may not be useful since according to Jobber (2007, 574) a successful customer interaction is largely due to the competence of the sales person.

The training methods that are employed by Salesgroove Oy, which includes individual, small group, on-the-job and self studying, are all supported by Bohlander and Snell (2007, 308) as viable practices. But while their effectiveness as educational tools is sound, the transformation of information into knowledge and skills are not always effective. This is calculated to be a compounding factor which helps to explain the high number of employees who vacate their position after a steady lack of success in closing sales deals. There are a number of reasons for this lack of transference of knowledge, the primary one being that the monitoring procedures used to observe the progress of new employees are flawed with inconsistencies. According to Aamodt (2010, 315), this creates a disconnect between what was being taught and what is being learned. Of course this is the result of training process that is not standardized and simply structured upon the inclination of the trainer in regards to the perceived needs of the trainee.

The non standardized structure of the initial training session is continued through to the on-the-job training, the success of which is wholly dependent on the willingness and competence of the trainer. As presented by DeRouin et al. (2005 in Aamodt, 2010, 310), during the OJT phase of the training in Salesgroove Oy new employees are placed under the guidance of a trainer who provides hands on experience to the trainee. This process has the trainee observing and eventually mimicking the trainer during sales calls in an effort to quickly get them acclimated to the job which Bohlander and Snell (2007, 311) argue is an effective way of passing on knowledge and skills, especially in the sales industry.

The use of the OJT method in training new employees how to carry out the duties of their job can be made more effective in Salesgroove if according to Pilbeam and Corbridge (2006, 327),

the company ensures that there is a transfer of the knowledge into the daily working process of the employee. This is accomplished through a structured approach which Salesgroove does not utilize instead having new employees being placed under the guidance different telemarketing/sales persons who were all trained by different individuals themselves based on availability. A situation where in the less productive behaviors or flaws in a person's sales technique are passed onto their trainee can easily evolve.

Divergent from contentions made by Bohlander and Snell (2007, 323) the evaluation of the knowledge, skills and abilities of the new employees before and after the training is often conducted by different individuals within Salesgroove. This can be beneficial since different perspectives are involved in the analysis process but can create a gap based on the persons own understanding and comprehensive capabilities. The result of such a circumstance is that the company ends up with a staff of mediocre sales people, unwilling or unable to perform the job duties.

**Table 6. Findings summary of training process**

Training	
<b>ADVANTAGES</b>	<ul style="list-style-type: none"> <li>- Occurs on site</li> <li>- Face-to-face and usually 1-on-1</li> <li>- Short and flexible based on skills and knowledge of trainee</li> <li>- On the job training experience</li> <li>- Learn from different individuals</li> <li>- Immediate use of programs and machines</li> <li>- Self training</li> <li>- Continuous coaching</li> </ul>
<b>PROBLEMS</b>	<ul style="list-style-type: none"> <li>- A lot of information in a short amount of time is given</li> <li>- No structured approach</li> <li>- Different trainers pass on bad techniques</li> <li>- Coaching is</li> <li>- Trainers may not pay attention to the trainees development because they are trying to make sales at the same time during the OJT</li> <li>- Trainers may be switched during the training process</li> <li>- Evaluation of KSA's are sometimes conducted by different trainers</li> <li>- Self training outcome not evaluated by any trainers</li> </ul>

While there appears to have been a planned process by which the training of new employees at Salesgroove Oy was suppose to follow it has deteriorated into a collection of activities

randomly selected and used based on the knowledge and skills of and communicated by trainee and the perception of the trainer. The situation is further exasperated by the fact that trainers are often preoccupied with actually completely sales successfully during the training process in order to reach their quota instead of properly evaluating the transfer of knowledge actually takes place, which as Aamodt (2010, 315) states can create a culture of learning in a company.

#### **5.4 Compensation and Motivation**

While recruiting and selecting and training the right candidates for a position is vital in improving the employee turnover rate of Salesgroove Oy, compensating and motivating employees is essential to retaining the most talented workers. When the remuneration plan for the telemarketers/sales position in the company is scrutinized a few primary issues become apparent. While the fixed salary portion, which is calculated based on the experience of each employee of the compensation plan is considered competitive within the industry, the commission part of the package is limited. Though according to Kotler and Keller (2005, 619), commission is an effective tool to bolster sales the fact is that it is limited regardless of salespersons surpassing their quotas is a disconnecting element that tends to curb the enthusiasm of the sales people.

The second concern related to the compensation package is easily recognized and linked to the theoretical contention of Kotler & Armstrong (2001, 594) is that salespeople tend to invest less time on tasks which are non-sales related. In regards to Salesgroove Oy, some of the functions that the salespeople perform, such as list cleaning or updating which are byproducts of sales activities, do not contribute to them meeting their quotas. Hence, while the time it takes to perform such functions may tend to be brief, it is still time the employees perceive as unprofitable. This creates a situation in which employees tend to neglect executing such task, whereby hindering the organization's ability to fully meet all the expectations of its clients.

Another issue, which is also connected to the compensation package and linked to employees performing non-sales related functions is the training of new employees. While the sales manager usually conducts the initial training, the on-the-job training session is carried out by sales personnel. During this time though such sales personnel still conduct sales calls, while being observed and questioned by the trainee. This is seen as a distractive element which hinders the respective sales personnel's productivity and rhythm. So while they enjoy the

accolades they receive from assisting in the training of a new employee they also view the OJT process as negatively impacting their ability to achieve their quotas and their salary.

In addition to some aspects of the compensation methods of Salesgroove Oy that may be factors that contribute to high employee turnover rates in the company, there are also motivational dynamics at play. The theoretical contentions made by Maslow in his hierarchy of needs theory according to both Aamodt (2010, 334) and Jones (2007, 212) that there are incentives other than monetary compensation that can motivate employees is relevant in the case of Salesgroove according to the empirical research. Once the two first needs have been met which would essentially cover job acquisition, training and a paid salary, the work environment of Salesgroove does foster a friendly enough atmosphere that fulfills the employees social need to identify and belong to a group.

In contrast to the ease sales personnel find with satisfying their needs in regards to the first three needs of people according to Maslow hierarchy of needs theory, fulfilling the ego needs is more difficult. The fact that Salesgroove exploits the sales personnel innate competitive spirit to achieve more sales than others and gain recognition means that there is, while friendly, constant competition amongst the staff to surpass each other. This provides a motivational force that drives some of the employees to satisfy their ego needs to be elite amongst the group. Regrettably the pinnacle of Maslow's theory of 'self actualization' according to Donaldson (2007, 241) would be hard to maintain in any high goal oriented individual for an extended period of time. This is because without any additional training opportunity to improve on the KSA's that the sales people have acquired, the motivation that they exhibit may eventually dwindle and cause them to seek inspiration elsewhere.

Another related point that was voiced in the theoretical discussion through both Armstrong (2009, 325) and Bohlander & Snell (2007, 431) centered on Vroom's theory concerning motivation and how its level depends on the appeal of the reward to the employee verses the possibility to obtaining said reward. Hence, employees are more likely to work harder if they believe they are in strong contention to receive a valued prize. Unfortunately, apart from the commission employees receive with each sale, the fact that there is no bonus system present in Salesgroove coupled with its flat hierarchical organizational structure, which severely impedes any room for advancements, hampers the motivational drivers.

**Table 7. Findings summary of compensation and motivation activities**

Compensation		Motivation
<b>ADVANTAGES</b>	<ul style="list-style-type: none"> <li>- Competitive base salary in industry</li> <li>- Commission with each sale</li> </ul>	<ul style="list-style-type: none"> <li>- Natural competitiveness of people</li> <li>- Share success stories</li> <li>- Group monitoring</li> </ul>
<b>PROBLEMS</b>	<ul style="list-style-type: none"> <li>- No reward for training employees</li> <li>- No reward for carrying out sales related activities without making sales</li> <li>- No reward for meeting quotas</li> <li>- Commission does not increase once quotas are surpassed</li> <li>- No fringe benefits</li> </ul>	<ul style="list-style-type: none"> <li>- No chance of promotion</li> <li>- Everyone is given a chance</li> <li>- Close monitoring of employees</li> <li>- Nothing in office to relieve stress</li> <li>- No additional training to improve KSA's</li> <li>- No bonus plan</li> <li>- Commission will never increase</li> </ul>

The empirical research reveals that there are some gaps in the compensation and motivation approach used by Salesgroove Oy. The compensation that the sales people receive works well as long as they are exclusively working on sales producing tasks which improves their chances of increasing their total wage earnings, which in turns propels them to work harder. Ultimately though, the sales personnel drive to succeed, notwithstanding monetary motives, without any attachment of fringe benefits will peak and eventually lead to talented producers vacating their position with the company. It can be argued then that because the organizational structure of Salesgroove limits upward mobility in regards to promotions, improving the compensation its talented sales people receives may be the best motivational driver for them to remain with the organization.

## **6 Baron Marketing Inc. Human Resource Practices as Benchmark Standard**

This section presents aspects of the human resource practices of Baron Marketing Inc. which can be used as a potential international benchmark for the efforts of Salesgroove Oy. An overview of Baron's recruitment process, training method and compensation and motivation practices is presented. This is followed by an explanation of how benchmarking these practices can be beneficial to Salesgroove Oy and help in its efforts to reduce employee turnover.

### **6.1 Baron Marketing Inc.**

Baron Marketing Inc. is a direct marketing/sales outbound call center company that has been in business for 17 years being established in 1996. The company is a privately owned limited liability organization employing 10 persons, excluding the owner/manager, in its single location of Yonkers, NY. U.S.A. and for the 2011 reported revenues in the amount of \$200,000, which would equate to roughly €153000. At its inception, the company primarily concentrated on conducting market research for their clients before shifting focus to list cleaning, subscription renewals and service sales. (Patterson, L. 22 April 2012.)

Baron Marketing Inc. like Salesgroove Oy operates in a business field, though in different parts of the world, that is traditionally plagued with difficulties with customer sales, low client retention and high employee turnover rates. Unlike Salesgroove though, Baron Marketing has managed to continually retain talented employees. This was accomplished by revamp the company's human resource practices through the utilization of services that are offered free of charge to the local business community through the State Department of Labor in New York. Under the guidance of labor professionals, the company was able to determine the reasons it was unable to maintain capable telemarketer/sales people in its employment and devise a remedy to combat the situation. (Patterson, L. 22 April 2012)

A reconstruction of the company's job description and qualifications, recruitment efforts, including communication and interviewing techniques, training, and employee compensation and motivation strategy was perform. This endeavor resulted in the creation of an approach the company implemented in alignment with its corporate strategy based on aggressive sales and of its client's products and services. (Patterson, L. 22 April 2012)

### **6.1.1 Job description and Qualification of Baron Marketing Inc.**

The basic job description of the telemarketer/sales position in Baron Marketing Inc. was designed using information from the Occupational Information Network (ONET), which is the electronic job information database created and maintained by the US Department of Labor, Employment and Training Administration (USDOL/ETA). Using ONET as a guide, the task, knowledge, skills, abilities, work and context requirements of the telemarketer/sales position in Baron Marketing was devised with the company's strategic goals in mind and as provided by Patterson (22 April 2012) are as followed:

#### **Task**

- Contact individuals by telephone in order to persuade them to purchase goods or services
- Explain products or services and prices, and answer questions from customers
- Enter customer information and order confirmation into computers
- Record names, addresses, purchases, and reactions of prospects contacted
- Adjust provided sales scripts to better target the needs and interests of specific individuals
- Make telephone calls to verify contact information and update when necessary
- Maintain records of contacts, accounts, and orders

#### **Knowledge & Skills**

- Basic understanding of principles and tactics used in sales and providing customer service
- Basic understanding of computer and telephonic operation
- Basic understanding of administrative and clerical procedures
- Able to speak and listen to others to convey and understand information effectively
- Able to persuade others to change their minds
- Able to speak properly and in a coherent manner
- Able to understanding written sentences in work related documents.

Also included in the job description and qualification for the telemarketer/sales position in Baron Marketing is the salary, listed as 'competitive pay plus commission', the minimum educational requirements, listed as 'high school diploma or equivalent preferred' and the working hours, listed as 'flexible (between 8am–8pm)'. Additionally, the type of company and title of the position were posted as 'call center seeks representative for exiting job opportunity working in a fast paced friendly work environment. (Patterson, L. 22 April 2012.)

### **6.1.2 Recruitment approach used by Baron Marketing Inc.**

Based on the fact the Baron Marketing Inc. is a small enterprise with limited resources it was determined that the company would utilize as many free forms of communication techniques during its recruitment efforts. The first avenue the company takes is “word of mouth” wherein employees are notified about the job opportunity with the company and are encouraged to inform friends who they believe would excel at the position. This was not only done to save the company money but also to give the opportunity to employees to receive a bonus for making a referral which led to the hiring of a new employee who remained with the company for a minimum of six months. (Patterson, L. 22 April 2012.)

The second avenue Baron Marketing Inc. employed to communicate the availability of a job with the company was the services offered by the State Department of Labor (DOL), which can be compared to the Finnish Employment and Economic Development Office and the Yonkers Employment Center (YEC). Through the DOL and YEC the company was able to post the job details for free on the agency’s website, making it available to be viewed by anyone who was interested in the position. In addition, the job opening was also posted in the offices of these agencies. In addition, by working with these governmental bodies, Baron Marketing was also made eligible to receive federal incentives available to companies that met the necessary criteria. (Patterson, L. 22 April 2012.)

The third communication outlet and source of providing candidates for an employment opportunity with Baron Marketing that was utilized is the partnership that the company has developed through the assistance of the DOL and YEC with a cluster of local high schools. This source is primarily used for part-time employment, which of course can become full-time. Guidance counselors and teachers are informed of the job opportunity with the company and sent a copy of the job description and qualifications. In turn they make a quick evaluation of the student body and inform eligible students they believe may do well in the job about the position with the company. (Patterson, L. 22 April 2012.)

The fourth channel of recruitment communication that is used by Baron Marketing is the Internet. The internet though in this case is not used as the primary source of recruitment as suggested by Torrington et al. (2008, 156) because of the fact that so many people would be made aware of job opportunity with the company. It was concluded that this type of

communication would be limited to free or low-cost classified advertisement websites if save the company. (Patterson, L. 22 April 2012.)

Application forms were made available to the agencies and schools that Baron Marketing partnered with in order to speed up the process and contained the basic questions such as, name, date of birth, place of residency, education, employment history, skills and abilities, criminal conviction, desired salary, date available to start working, etc. This was to be filled out electronically and sent via email to the hiring manager (owner) of the company. Additionally, these partnering agencies conducted preliminary assessments of the applicants based on a set of criteria to determine their potential success with the company. Trained employment counselors at the DOL and YEC and guidance counselors at the partnering schools then made the recommendations of the candidates they found suitable for the telemarketer/sales person position with Baron Marketing Inc and distributed information about the company, its business field and the position. (Patterson, L. 22 April 2012.)

Interviews were arranged with the best candidates and took place either on the premises of the company or, if available, in a space provided at the partnering agencies facility. These interviews were structured with questions placed in a particular order and answers recorded so that they can be later compared with others to help determine the most suitable candidate for the position. This was because it had been determined that the hiring of the right candidate was most important step that Baron Marketing could take that would help in its efforts to maintain a talented work force. (Patterson, L. 22 April 2012.)

Once a job offer was extended and accepted the induction period began immediately with the candidate completing the necessary government documents and being shown around the company's office. In addition the new employee was given a packet which contained information on the machines (computer and telephone) and its use and the tools (including programs) that were used in the daily performance of the job duties. This was in an effort to help the employee get accustomed to the tools of the job before the training process would begin. (Patterson, L. 22 April 2012.)

### **6.1.3 Training method used at of Baron Marketing Inc.**

Training of the new employees of Baron Marketing is a structured process which begins as soon as the employee accepts and receives the packet with information about the machines and

tools that he/she would be using in the job. This gives them the opportunity to familiarize themselves with it so that upon entering the facility to begin the actual training they are already aware of certain things. The training begins with an introduction of the company, its clients and services, the duties of the position and what is expected during the performance of these duties. This is followed by step by step instructions on the usage of the work equipments and the processing procedures which are followed during each sales call. Regardless of a new employee's assertion of familiarity with the work equipments, instructions on their use are given. (Patterson, L. 22 April 2012.)

The amount of time expended during the first stage of the training is largely based on the new employee's review of the information provided in the packet they received, their experience and skills in computer operations and the time it takes for them to turn new information into knowledge. This acquired knowledge is tested with a short review of the information that was communicated to them by the training manager. The next stage in the training process is the practicing of the script reading and sales solicitation. During this stage the trainer and trainee conduct mock calls to measure the opportunity of negotiating a sale and successfully completing that sale. Additionally, mock calls that are not sales related, in the case of list cleaning duties, are also practiced. Both the script reading and mock calls are practiced until the trainer is satisfied about the competency of the new employees. (Patterson, L. 22 April 2012.)

The third stage in the training process was the OJT process. Like the other steps in the training process this is also conducted by the same individual. During this stage the trainer conducts sales related and non-sales related calls to customers while the trainee observes and familiarizes themselves with the process, techniques and tactics used to elicit the desired result. The trainer then gives the trainee the opportunity to perform these calls under his/her supervision, continuously offering advice on various matters such as proper responses to certain questions, or delivery of information. This process is completed with a complete review of the training to determine its effectiveness and the competency of the trainee. (Patterson, L. 22 April 2012.)

The third stage in the training process was the OJT process. Like the other steps in the training process this is also conducted by the same individual. During this stage the trainer conducts sales related and non-sales related calls to customers while the trainee observes and familiarizes themselves with the process, techniques and tactics used to elicit the desired result. The trainer then gives the trainee the opportunity to perform these calls under his/her supervision, continuously offering advice on various matters such as proper responses to certain questions,

or deliverance of information. This process is completed with a complete review of the training to determine its effectiveness and the competency of the trainee. (Patterson, L. 22 April 2012.)

Once the introductory training is completed, continuous coaching of the new employee begins as he/she begins to make sales calls independently. This coaching process is designed to help the new employee adjust to the working conditions of the job but also become accustomed to the scrutiny he/she may face in the future. The initial training process is intended to last six hours while the additional training and intense coaching performed by the trainer continues for up to 6 weeks if necessary. During this time any sales that are generated by the trainer or the trainee will be counted in favor of the trainee who will be awarded accordingly. (Patterson, L. 22 April 2012.)

#### **6.1.4 Compensation and motivation strategy of Baron Marketing Inc.**

Baron Marketing Inc. like most companies in the telemarketing/sales industry structure its compensation plan around a base salary which is offset by a commission plan. In this case the basic salary is designed to account for 60% of the total reward that an employee receives for the work they perform. This base salary is subject to incremental increases based on employee longevity and job performance. In addition, employees receive a commission with each sale that he/she attains. Once an employee passes the predetermined quota the commission on additional sales increases a certain percent. That commission is subject to more increases based on further additional sales. (Patterson, L. 22 April 2012.)

There is also a bonus plan incorporated into the compensation strategy of Baron Marketing to provide supplemental earnings for the performance of non-sales related task, namely, list cleaning. These duties are usually performed by part-time workers who receive extra rewards for, for instance, making the most calls which results in the updating of a client's customer listing information. Bonuses are also rewarded the employees each month for having completed the most calls that resulted in a successful sale. These bonuses are not just used as remuneration but as a motivational tool for the employees. It should be noted that during the training period the base salary of a new employee is reimbursed to the company by the YEC, if the employee is a Yonkers city resident under a job placement, training and skill development grant from the federal government. (Patterson, L. 22 April 2012.)

## **7 Conclusions and Implementations**

This final chapter of the report presents the conclusions and recommendations as discovered through the research process. First, a summary of the findings will be presented followed by the course of action Salesgroove Oy needs to take in order to sustain a talented labor force through some benchmarking possibilities. In addition, the researcher's own reflection on this study will be presented along with some recommendations for future research based on issues that were encountered during the study.

### **7.1 Summary of Findings**

The purpose of this research was to create a revamped approach to the strategic management of the human assets of Salesgroove Oy in line with the company's goals and objectives through recruitment, training, compensation and motivation of employees. The assumption that was made is that if within a flexible work environment found in SME's like Salesgroove a human resource approach can be developed that can recognize and effectively retain critical talent around which a successful sales force could be designed would ultimately lead to the effective acquisition of new customers. In other words, through retaining and building around good employees it is more likely that the company's overall performance would improve.

The retention of critical talent to Salesgroove Oy begins with the recruitment and selection process. The job descriptions and the qualifications required to perform the duties of the position must be used in order to limit the amount of applicants and help the company during the screening and interviewing phase. Unqualified applicants can easily be recognized and disregarded which will save the company on time and money. This can be done while still extending consideration for applicants recommended through current employees whose talent the company has come to recognize and value.

A structured approach to training would also aid in Salesgroove's efforts to decrease employee turnover, retain critical talent and increase productivity. By implementing such a method in which all employees are exposed to the same initial training where their knowledge and skills regarding the duties of the position are tested before and after training, Salesgroove will be able to monitor the effectiveness of their training efforts and identify areas of deficiencies. This would help the organization to identify high potential employees with natural skills that can be further developed as well as employees in need of additional guidance.

While Salesgroove offers a competitive fixed salary, the total compensation plan in regards to sales quotas and commissions need to be modified to help support the strategic objectives of the organization. By increasing commission rates after the quotas have been meet, the company will prevent a halfhearted approach to work, increase worker efficiency and improve the organization productivity. Additionally, work task, such as training new employees or list updating that does not involve commission derived from sales performance should to be compensated, whether through for instance, additional pay or a bonus system.

## **7.2 Recommended Course of Action**

When the human resource practices of Salesgroove Oy are scrutinized one can recognize that the failure to build and retain a solid sales force in the company has been due in large to one or more of the following factors:

- The recruitment efforts, including job description and specifications were too vague
- The wrong people were selected for employment during the interviewing stage
- The training was not adequate enough
- The motivational efforts were not sufficient

While no one aspect of the human resource practices of Salesgroove deserves the entire responsibility of the company's unsuccessful effort to retain talented employees it is common knowledge that not everyone is built for a job in sales, which requires a high level of confidence, time management and an authentic enjoyment of the work. For this reason decreasing the employee turnover rate of Salesgroove Oy starts with the design and implementation of a strategic recruitment and selection approach suited for the organization. By utilizing applicable theoretical approaches to identify the connecting elements in the human resource practices and linking those elements with the successful practices used in Baron Marketing Inc. a potential international benchmark standard can be recognized.

### **7.2.1 Establishing a clear job description and qualifications**

Following the arguments presented in the theoretical discussion put forth by Pilbeam and Colbridge (2006, 147) and Donaldson (2007, 192) and combining them with some of the elements of the human resource practice of Baron Marketing Inc. it is clear that the first step

that must be taken by Salesgroove is to benchmark the job description and qualifications of Baron Marketing. It is a clear and detailed presentation of the duties and functions of the telemarketer/sales position as well as the skills and abilities a candidate would need to possess to effectively perform the job as hand. Being that the description of the position was created using information from an occupational dictionary and the knowledge and experience of an employment specialist along with adhering to arguments put forth by Futrell (2001, 172) and Torrington et al. (2208, 146) it not only meets the demands of the marketplace but sets a standard which deserves benchmarking.

It should be noted that while the job description and qualifications of the sales person position at Baron Marketing does not include information targeted towards a specific group of people, for instance with a particular language skill or intimate knowledge of a certain culture, this can be included by Salesgroove Oy, without violating any labor laws. Additionally, the company can also identify some of the challenges and working conditions or situations that may hinder some people from doing the job. Regardless of some minor changes to accommodate for the text translation, the benchmarking potential is viable and an important step in recruiting and retaining talented employees for Salesgroove Oy.

### **7.2.2 Tailoring a recruitment approach**

In regards to the actual recruitment of employees, the next stage is using the job description to attract applicants. According to the arguments presented by Pilbeam and Colbridge (2006, 142), the recruitment strategy that an organization employs must be effective in generating candidates of an suitable quality and quantity and distinguishing between the appropriate and the inappropriate ones within the limits of the company's resources. With this in mind, it is clear that the approaches utilized by Baron Marketing presence another benchmarking opportunity for Salesgroove Oy. By targeting specific communication channels, Baron marketing is able to control the types of candidates who apply for positions in the company as well the amount of applicants it received.

Presenting a detailed job description and working through employees to attract quality applicants is vital since as Donaldson (2007, 197) states, employees in general are reluctant to jeopardize their job or reputation with making an inappropriate referral. Hence, this method of recruitment should be the primary avenue taken by Salesgroove Oy. The second avenue, like Baron Marketing should be the utilization of government employment services such as the

Finnish Employment and Economic Development Office, followed by sourcing candidates through high schools and trade schools. Both options like employee referrals come with basically a built in screening application since both are interested in guiding their clientele towards gainful employment opportunities. This situation as supported by Pilbeam and Colbridge (2006, 157) and Jobber (2007, 573) satisfies the company who receives quality applicants and the candidates who gain the chance to enter into employment as well as the partnering agencies which will be able to show a positive gain in their records.

When considered, the first three channels of recruitment would allow Salesgroove the retain a tremendous amount of control in its recruitment efforts, some of which it will relinquish with the incorporation of simply listing the employment opportunity on the free and low-cost classified advertisement websites and the company's own recruitment page. But, as supported by Bohlander and Snell (2007, 185) while the quality of the applicants may suffer, this will be offset by the share quantity of the applicants from which the company can choose the most suitable candidates to invite to continue to the recruitment process.

While the job description and qualification form, along with employee referrals and government employment agencies and partnering entities limit the quantity of unsuitable applicants Salesgroove must also be selective when assessing online applications. The company must be rigid in its approach to candidate appraisal in order to determine which applicants it should extend an interview invitation to. Such a strategy will save the company time and money it would invest in interviewing inappropriate candidates, a procedure which must also be as rigid as ensure only the best candidates are selected for employment.

The interview must be structured and conducted according to an establish plan. Information given and questions asked in a particular order and answered record accordingly to assure of the easy comparison of tangible data from each candidate. This will allow the hiring manager to make informed decision in regards to the potential of a candidate and consequently, be able to justify that decision. But while assessing the skills, such a computer, verbal and listening comprehension, their temperament to see if they are confident, goal, and customer oriented and steadfast and when necessary language and/or culture knowledge of certain places is easy judging the candidate's ability to work under certain situations or environment may be difficult to ascertain. It is for this reason there must only a few hiring agents, just as there should only be a small selection of trainer agents.

The final benchmarking activity of the recruitment phase of Baron Marketing Inc. which Salesgroove Oy should incorporate into its system is the induction of new employees into the organization which Pilbeam and Colbridge (2006, 196) suggest is just as crucial to the retention process as the actual recruitment of a candidate. Once a job offer was extended and accepted the induction period must begin with as soon as possible with the new employee completing the necessary government documents. In addition the new employee should be provided with an information packet detailing the job, the company, its products and services, clients and the various machines (computer and telephone) and its use and the tools (including programs) that are used in the daily performance of the job duties. This is to aid the employee in getting accustomed to the tools of the job before the training process begins.

### **7.2.3 Structuring the training procedure**

The training process which Armstrong (2009, 665) argue should be systematic, of Baron Marketing Inc. offers another potential benchmarking standard for Salesgroove Oy. The process is structured and under the management of one primary instructor. It will begin with an assessment of the new employees' knowledge, skills and abilities (KSA's) through a series of questions relevant to the telemarketer/sales position, followed by a full day of training, which includes tools, machinery, computer and software program training along with exercised mock calls. These mock calls are designed to not only build the confidence of the new employees to get them confident in making verbal contact with potential customers but also to give the trainer the opportunity to appraise the tactics and developing KSA's of the employees. Regardless of the intuition of the trainer in regards to the abilities of the employees an assessment is conducted at the end of the training to determine the readiness the employee and the effectiveness of the initial basic training session.

The training continues with the on-the-job training (OJT) session. Initially, the trainee watches and listens as the designated trainer conducts a number of sales calls, after which the trainee is given the chance to ask questions and make observations. When the trainee is sufficiently comfortable and confident to execute sales calls themselves, the opportunity is given to them to do so under the strict supervision of the trainer who will provide on hand tutelage during the calls and immediate feedback its conclusion. The process is completed with a full review of the training to determine the readiness of the trainee to begin soliciting sales on their own. This is still followed by intensive coaching and scrutiny for a period of weeks until it is determined that the trainee is sufficiently competent to independently carry out the duties and task of the job.

By benchmarking the training procedure of Baron Marketing Inc. which is supported by techniques suggested by Pilbeam and Colbridge (2006, 326), and Donaldson (2007, 226) Salesgroove Oy will be better equipped to identify high potential employees as well as employees who warrant additional training and coaching.

#### **7.2.4 Designing the compensation and motivation plans**

Salesgroove Oy like Baron Marketing Inc. rely on a total compensation and reward system incorporating a salary, performance related commission as well as a friendly competition motivational work environment that offers non-financial recognition. But while both offer a base salary plus commission on each sale that a telemarketer/sales person makes, Baron Marketing incorporates a reward system in which the commission on additional sales after a predetermined quota has been met experiences incremental increases. In addition while both companies will increase the base salary of employees based on employee longevity and job performance, Salesgroove does not feature a bonus strategy in its reward system.

Both Pilbeam and Colbridge (2006, 252) and Kotler and Keller (2005, 619) suggest that commission and bonuses are highly rated motivational instruments which when combined with recognition from peers can serve as a retention tool for an organization. While benchmarking the compensation and motivational efforts of Baron Marketing Inc. may not be wise for Salesgroove Oy, depending on its financial stability, at this time it should remain as an option in the future. For the time being though, Salesgroove should at the minimum assign one person to conduct the training sessions so that trainers do not feel the added pressure of trying to maintain their sales performance while training a new employee, or at the minimum compensate them, in the form of a bonus for their efforts. After all, without proper compensation, there is no motivation.

### **7.3 Conclusion**

This research has been conducted in order to discover if it were possible to reduce the employee turnover rate of Salesgroove Oy through improving certain aspects of its human resource practices. The assumption that was that if the recruitment, training and compensation and motivation processes were adjusted this would help the company identify and thereby devise a strategy to help it retain talented employees around which it can continuously build an

efficient sales force. The idea simply being that a reduction in employee turnover should ultimately lead to an increase in the organization's overall performance.

Various theories provided the base on which the research was constructed and identified the some specific areas of deficiencies within the strategy of Salesgroove Oy. Using this information and scrutinizing those same areas of the human resource practices of Baron Marketing Inc. provided some potential benchmarking standards which Salesgroove can use as guidance as it works towards properly structuring its human resource practices. This is in an effort to deliver base line services more efficiently and to develop the workforce to meet the strategic needs of the organization

In light of the theoretical and empirical research carried out during this process is can be stated that it is possible to improve the turnover rate and retention of critical talent within an SME like Salesgroove Oy, while increasing the profitability of the organization. It is also safe to deduce that no one aspect of the human resource planning and design, whether it be recruitment and selection, training, compensation or motivational efforts, is exclusively responsible for the tenacity and loyalty that an employee displays or the success he/she has. They are all interdependent upon one another and each carries its own degree of value based on the organization, its strategies and its resources and the employees themselves.

#### **7.4 Recommendations for future research**

The research has connected the human resource activities of recruitment and selection, training and compensation and motivation to the failure of Salesgroove Oy to attract and retain talented employees to the organization. By addressing the issues explained through the study in relation to the company's HR practices, Salesgroove would be better able to manage its work staff and maintain a good pool of employees, thereby improving their efficiency and increasing the productivity of the organization. Additionally, the company can use the talented employees as a tool to recruit and further build their employee pool.

The idea of using a small group of talented employees as a core around which to build a solid work force is not a novel concept. But, using this concept with a telemarketing/sales company as the backdrop is unusual since it is difficult to recruit such talent blindly. It is for this reason that it believed that research should be conducted into this topic.

While some issues that were relevant to the study were left out because of their depth and limitations on time and resources, one issue that was addressed and should be investigated to further extent is the introduction of a bonus system in Salesgroove Oy. Further research could reveal if establishing such a system could succeed in guiding sales and help the company move towards achieving its strategic objectives. In addition, its affect on the motivation of the employees to thrive in their work and maintain their employment with the organization should be investigated.

Given the advancements in technology especially in the telecommunications field it is foreseeable that the owner of Salesgroove Oy may one day decide to establish a presence outside of Finland. This was one issue that was mentioned as an area for investigation but later dismissed because of the immediate problems facing the organization. If, indeed the company were to expand its business into neighboring countries it would be worthwhile to conduct a similar research there to determine if the same issues persisted though the culture, language, traditions, behaviors, social context, work environment, people, etc. differed. Just as interestingly would to be to discover if perceived solutions in such a case would be similar to the ones discussed in this research.

## **7.5 Reflections**

The idea to conduct a research into the human resource practices of Salesgroove Oy emerged during a conversation this researcher had with the owner of the firm regarding his efforts to lower the employee turnover rate of the company. After discussing the problems this situation has caused the company and this researcher's effort to offer advice to the owner on possible remedies, the research idea began to take shape. Based on the premise that a lower employee turnover rate would help the company retain some of its more talented sales persons, the owner suggested that this researcher conduct a study to determine reasons for the high turnover rate and possible solutions to the situation. The idea was that solving the problem would ultimately increase productivity and improve the company's overall performance.

As discussed earlier, this researcher has previous experience working as a sales person in the telemarketing/sales industry which provided him with knowledge of the field and an understanding of the environment and circumstances under which people work. Granted, the researchers experience was limited because like many people who enter the industry in the

discussed job, he quickly abandoned his position. Still his knowledge and understanding of the business area helped him conduct comprehensive and reliable interviews.

This researcher also had past experience working with companies operating in the telemarketing/sales industry through his previous employment as a Business Service Liaison with the Yonkers Employment Center, working in concert with the New York State Department of Labor. This job placed the researcher in contact with companies in need of various services that are offered by the State Department of Labor at no charge, including human resource consultation services and development planning. The benchmark company that was used during this research was one such company that used the services that is offered to the business community. This was in an effort to increase the company's productivity by improving the quality of hires.

During the course of the study, it was realized that some of the findings would be on a general level but if time and desire had permitted the research could have delve into more focused areas such as the employment of individuals who are unable or unwilling to work and or interact (even on the phone) with persons of the opposite sex. That issue may make for an interesting research topic in the future, but for now this researcher is thankful since he increased his understanding qualitative research methods and its implementation and improved his interviewing skills and observational skills. This enabled this researcher to notice key bits of information and utilize them in realistic recommendations.

Lastly, this researcher would like to express his gratitude to Antti Pertillä, owner of Salesgroove Oy, for allowing him to conduct this research as a Master's thesis project and providing him with adequate information and keeping him on the desired topic throughout the process. In addition, this researcher would also like to thank Sami Brygger, the sales manager of Salesgroove Oy for creating the schedule for the interviews and making sure that they did not impede the sales people's goal of reaching their quotas. And finally, a very special thanks to this researcher's former coworker Linda Patterson of the Yonkers Employment Center, who provided him with the necessary information of Baron Marketing Inc., a company whose present human resource practices this researcher had an integral part in creating.

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## **Interview Questions**

### **Theme: Recruitment and Selection**

1. How did you hear about the job opportunity with the company
2. What was your opinion of the job description (i.e. amount of info)
  - a. What do you think would improve it
3. What did you think about the application process
  - a. What do you think would make it better
4. Describe the interview process
  - a. Were you prepared
  - b. How would you make it better
5. What attracted you to this organization (what made you accept the job)

### **Theme: Training**

6. Describe the initial training process you experienced
  - a. What were the good points
  - b. How would you improve it
7. Describe how you have augmented your working practice (different from training)

### **Theme: Compensation and Motivation**

8. Describe the compensation package the company has
  - a. What are the good points
  - b. How would you improve it
9. Describe when you have felt you have been recognized and appreciated for your work.
10. Describe how management motivates the staff.
  - a. What are the tools (incentives) that are used
  - b. What tools (incentives) work for you
  - c. What tools (incentives) would you like included in the future
11. What in your view is the reason people stay with the company
  - a. What are the reasons you would stay (What do you value most about the company)

### **Theme: Work Environment**

12. Describe the working environment and conditions in the company
  - a. What are the good points
  - b. How would you improve it

13. Describe the working atmosphere in the company (i.e. stressful, friendly)
  - a. What do you like most
  - b. How would you improve it
14. What are the most beneficial working practices in the company (i.e. flexible hours)
15. If you found a genie in a bottle, good for three wishes to make this organization a better place to work, what would be your three wishes?

