How Do Firms Value Their Sales Organizations?

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Abstract The wide disparities of sales compensation plans observed across firms and industries imply that firms do not value their sales organizations similarly. More to the point, sales compensation research does not take directly into account the compensation of other functions, as if sales compensation policy decisions were isolated from other compensation decisions. Needless to say decisions regarding salesforces are included in wider strategic plans. Curiously, literature on the relative value firms attribute to various functions does not include the sales function. This chapter investigates organizational (e.g., innovativeness, marketing resource endowment) and environmental (e.g., market uncertainty) factors that can affect the pay level and structure of sales jobs as compared to jobs in other functions. We test our theory with a unique data set of all large firms (i.e., with more than 100 salespeople) in France. Our results shed new light on pay practices of sales organizations.

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