

Pete and Carolyn- a case of costly misperceptions

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ABSTRACT

This case is based on an actual experience that occurred in a corporate lending firm operating in California. The case involves the recruiting and hiring of two individuals to fill openings as salespeople for a real estate mortgage company. The Sales Manager is in favor of one applicant but very hesitant about the other. The hiring committee disagrees, and both are hired. The person the Sales Manager favored in the hiring process soon develops problems and is fired. The other person starts slowly but eventually becomes the top salesperson in the organization. The purpose of this case is to illustrate the dangers of misperception in selecting and hiring employees, especially for highly visible positions. Further, issues such as teamwork, training, and discipline are also embedded in the case. The case can be used as a basis for class discussion in various marketing and management courses, including personal selling, sales management, human resource management, and organizational behavior classes. The names of individuals and locations have been disguised to preserve anonymity.

Keywords: Sales, Interviewing, Hiring, Training, Evaluating, Discipline, Misperception



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CASE OBJECTIVES

This case study describes an actual experience of a sales manager at a mortgage lending institution in a major metropolitan area of the West Coast. The main issue of the incident is how the misperceptions of a sales manager (or anyone on a hiring committee) can result in hiring the wrong people, or conversely not hiring individuals who would have excelled if given the chance. Students are asked to put themselves in the position of a member of a hiring committee, and respond to the situation.

The case can be used as an exercise in understanding the perceptual process in recruiting and selecting employees, and how to minimize misperceptions through effective interviewing and communication techniques. It also raises questions about how a manager should deal with the consequences of misperception once decisions have been made. Further, the case illustrates various alternatives about how to discipline employees who are either not compatible with or have offended staff and colleagues, or who are not performing satisfactorily. There is also a component on the importance of training for new-hires and veteran salespeople. The case is appropriate for use in personal selling or sales management courses, and also in human resource or organizational behavior classes.

Learning Objectives:

The learning objectives of this case are for students to:

1. Learn the importance of effective recruiting and selection methods, to accurately assess the qualifications and potential of those who are applying for positions within a sales force (or elsewhere).
2. Understand the importance of flexibility and transparency when a manager must adapt to a situation which has unexpectedly occurred.
3. Decide what types of training and resources should be given to newly-hired individuals who have different experience levels or sales skills.
4. Assess how to effectively deal with a salesperson or employee who cannot or will not be work well with his/her colleagues.
5. Consider various alternatives to utilize the sales skills (or any skill set) of an excellent performer to help others in the sales force (department) to excel.

INTRODUCTION

Jonathon Roberts was recently hired as Sales Manager for a newly-created mortgage lender in California. Over the years after graduating from college, he worked for several major banks and mortgage lenders both as a salesman (generating loan volume, for which he was paid on a salary plus commission basis) and later as a sales manager, responsible for the activities of 8-12 salespersons. Typically loans were generated from two sources: A) in-house loans from existing bank customers, and B) realtors, contractors and others who recommended lenders to their clients. Due to his success as a salesperson, he was offered a position as Sales Manager for a newly created mortgage lender, which would compete for business against banks, credit unions and other non-bank lending institutions.

BACKGROUND

The new mortgage lender was located in a major metropolitan area. The initial goal was to have eight territories, each given to one salesperson. Compensation was salary plus commission on sales above quota, plus benefits. Several salespeople were hired from competing big lenders, while the rest were hired from outside. Six of the eight territories were filled quickly, leaving two salespeople remaining to be hired.

As sales manager, the recruiting and selection of the sales force was Jonathon's responsibility, though a hiring committee interviewed all finalists and approved all decisions. Advertisements were placed in papers and trade journals. Word of mouth was very important, and one or two people were interviewed because of recommendations from existing salespersons. One came from a corporate placement agency. Two of the finalists for the open territories were a male named Pete, who was highly recommended by his placement agency, and a female named Carolyn, who answered an advertisement and applied personally. These two applicants were eventually hired and they are the focus of this case study.

Pete was polished, experienced and smart- he was a retired military man in his mid-40s with a Ph.D. in engineering. He dressed formally, knew how to interview, and was very articulate in asking and answering questions. He also had sales experience as a realtor in the eastern US. In short, he was everything Roberts wanted in a new salesman.

The other finalist was named Carolyn. Jonathon's impressions of her were not so positive. She was tall, gangly, and wore unattractive clothing. She had her hair pulled back in a bun, and wore no makeup. In a nutshell, Roberts thought she looked unprofessional. In addition, she had no sales experience and didn't know anything about real estate. She was a school teacher from the suburbs, and wanted to change professions so she could deal with adults more. She was, however, a good communicator and appeared to be self-confident. Based on her appearance, and lack of knowledge and experience, he was very much against hiring her.

After the interviews, the committee met and discussed the two finalists. The other committee members (which included one of the founders as well as a seasoned salesman who had already been hired) agreed with Roberts about Pete. Regarding Carolyn, the others felt that she would be a good addition, to his astonishment. Bart, the founder, argued that she could learn the basics of sales and real estate finance quickly given her advanced degree in education. Also there was one very glaring problem- there were currently no females on the sales force. Hiring Carolyn would remedy that problem and hopefully avoid the perception that the company was prejudiced. So, both were hired to take the last two relatively equal territories.

THE CHALLENGE

Since both Pete and Carolyn were hired at the same time, both of these stories unfolded simultaneously. Neither had any experience or contacts in the territories they were assigned to.

Pete:

Pete began work and quickly began to generate sales. He was always on time, dressed appropriately and acted professionally. He did not need much training or initial oversight- he was articulate, learned the business quickly, and felt comfortable in his new surroundings. Due

to his background in real estate, he was given additional training only in real estate finance. Roberts felt confident that he would soon be one of his top salespeople.

Carolyn:

Carolyn did not make a sale for over a month. Roberts quickly judged her to be out of her league. She was constantly asking questions, and he thought she spent too much time studying and being around the office. Furthermore, she was quickly becoming friends with the staff of secretaries and underwriters, and was apparently unwilling to get out in the field to generate business. She was allowed 30 days training to learn the basics of real estate finance and law (provided by company personnel at the office during the day, and through books and other materials she could take home), and she shadowed the other salespeople to learn sales skills, how to conduct calls, and how to overcome objections.

After the first month, they met to discuss her progress. She admitted she had no sales generated, but insisted that she had learned the basics of real estate finance and law from her training, and was about ready to begin her sales career in the field. Also, she had developed strong friendships and allegiances with the staff of secretaries and underwriters, and learned what they needed and wanted in new loan applications as far as credit, verifications of income and employment, property conditions, title issues, and many other aspects of the business. Together Jonathon and Carolyn worked out a sales quota, and agreed to meet again formally in 60 days to discuss her progress.

THE RESULT

Pete:

Soon after Pete started some unforeseen things began to transpire. Pete began to receive complaints from the staff, and worse, from the clients. According to them, he was too forceful, temperamental, and impatient. He made the secretarial staff uncomfortable with his crude comments and brusque manner. He also bragged about his education and intimidated people. When he brought in a loan application, he wanted his packages handled first.

The tipping point was reached when he offered gifts and money to have his applicants evaluated and approved quickly. Of course this was against company policy and training, but Roberts found out later that this was a common practice at his former employer.

Pete was called in for a formal meeting to discuss the complaints. He denied the accusations against his style of selling, saying that he was just being assertive. He admitted to the gifts and money, but indicated it was a small amount and that he was just “greasing the wheels.” Roberts put Pete on a development plan, and gave him 60 days to perform without complaints and to rebuild relationships with the staff. Roberts also assigned another salesperson to mentor Pete and monitor his progress. They would then reconvene to evaluate his performance.

Sixty days went by quickly and they met a second time. However, there was no improvement- in fact things were much worse. A stream of complaints from all sources continued; his relationship with colleagues and staff was beyond repair; and his sales volume plummeted. His mentoring sales colleague found him very set in his ways. Further, his attitude

of denial was such that Roberts felt like Pete had little chance of solving his problems. Roberts had no choice but to fire him.

Carolyn:

When Jonathon met Carolyn the second time two months after her first evaluation, he was astonished to say the least. Carolyn had not only met her goal, she had exceeded it by nearly 50%. Further, the loans she had generated were getting processed and closed much faster than normal, due to her good standing with the staff. Also, she did not have a single complaint from either staff or clients that came to his attention. Her only weakness was in assessing which properties might have problems (certain types of condos, or houses in need of repair, etc.) but that was quickly fixed through training with an appraiser.

Carolyn became our very finest salesperson within 18 months. She soon began to make more money on her commissions than the senior management, which delighted them. As she prospered, so did the company. As Roberts watched her develop in the sales business, it became apparent that the biggest source of her success was word of mouth from her own clients. They trusted her with helping them with the biggest purchase of their lives- their home. Carolyn had a wonderful talent for listening and observing, to find out what the needs of her clients were, and to create the best package of lender and loan specifically designed to meet their needs. She never made a promise she couldn't keep. And lastly, she was the best closer he had ever seen. She had an innate ability to listen to an objection and turn it into a sale, in a way that was non-threatening and positive for the client. Carolyn went on to become a wealthy and very successful salesperson.

TEACHING NOTES

General Discussion

This case deals with the hiring of two salespeople with vastly different social and selling skills. The issues include perceptual mistakes, training issues, disciplinary actions and communication successes and failures. How this incident was handled by the sales manager sent a message to all subordinates and others about what kind of person this supervisor was, and what types of behavior and performance were expected and what was not. At the same time, this case gives the students the opportunity to consider various communication and motivational approaches that influence the behavior of subordinate salespeople.

The case is short, and is primarily intended for use in undergraduate or graduate courses in personal selling, sales management, human resource management and/or organizational behavior, preferably following students' exposure to issues of communication, motivation, human resource management (recruiting and selecting employees), and leadership. Hence, it is best to use the case toward the end of a course dealing with these issues.

The case can also be used as the basis for role playing, where students take on the role of the Sales Manager and attempt to participate in various settings, including being part of a hiring committee, decision-making during the training process, and conducting positive and negative evaluation meetings. The groups should be 4 people in size, and should last about 10-15 minutes. Two students play the roles of the Sales Manager and Pete, while the others in each group act as observers to provide feedback to the role players at the end of the role play. The

other two then play the Sales Manager and Carolyn. Each group then reports to the entire class about the approach taken, decisions reached, the resulting satisfaction level of the two participants, and the commitment of the salespeople to any course of action agreed upon. They can also discuss what aspects of the roles they found most easy and difficult to play, as well as creative and unusual methods they used to deal with the issues.

Discussion Questions

Note: It is recommended that, before answering the questions below, the instructor ask the students to **READ THE CASE ONLY UP TO THE END OF THE CHALLENGE SECTION**. The students can then form an opinion about what they would have done at the moment of the hiring decision based only on the information that was available to Jonathon Roberts at that point. Would the students have fallen into the same trap that he did? This will stimulate participation as they try to assess the questions later.

After this initial discussion, have the students read The Result section, and then begin to answer the questions below.

1. What role should appearance play in the selection process of a salesperson?
2. How can perceptions and stereotyping affect a hiring committee's attitude in the recruiting and selection process? What can be done to minimize misperceptions?
3. How important are sales experience and sales skills in choosing which person to hire? Is there a correlation between sales experience and skills, and eventual success as a salesperson in the field?
4. What kinds of leadership traits do Sales Managers need to possess in order to deal with unexpected events involving his/her sales force?
5. Did Jonathon Roberts provide adequate training and time for Pete and Carolyn to succeed before evaluating them? Should Pete have had different training and/or resources given to him than Carolyn? Why?
6. Did Roberts handle the problems with Pete fairly? What specifically could have done differently?
7. Should Carolyn be used to train others? What positive and negative results might we expect from using a successful new salesperson to train more seasoned salespeople?

Answers to Discussion Questions

1. What role should appearance play in the selection process of a salesperson?

Typically appearance does play a part in a selection committee's perception of the candidate's overall desirability, especially in a highly-visible and public position such as a salesperson. For example, one study showed that, in the hiring process, companies tend to **AVOID** hiring sales applicants that have visible body piercings or tattoos (77%); applicants who use bad language (78%); and people who look unstylish or are sloppy dressers (80%) (Ligos, 2001, p. 55).

An applicant's appearance has an impact on first impressions, and can eventually result in a Halo Effect (or a Reversed Halo Effect). This in turn can affect the candidate's overall impression and/or score given by a selection committee. Further, one's appearance can shape impressions given to fellow employees, acquaintances and certainly prospective clients, and

therefore it can affect sales volume.

While appearance is only one variable among many in the selection process, its importance as part of the hiring decision must not be overlooked. First impressions are hard to change, and making a good impression at the beginning of an interview is important. However, appearance must be considered as only one factor out of many in the hiring process, and it is NOT necessarily important in determining a salesperson's future likelihood of success. In this case, the person with the best first impression was hired unanimously but failed within three months. The other person had a poor first impression due to her appearance, but ultimately became the company's finest salesperson.

Studies suggest that looking professional and appropriate should be the objective. "People who work need to consider how they look. Appearance does count and how you appear to others can make or break a job opportunity or your success on the job. Appearance counts all the time—from the job application, to the interview, to every day on the job. The key is to find a style that fits your particular job and type of work, makes you and others comfortable, and makes a positive statement about you." (GLOBALedge Training Academy, 2014).

2. How can perceptions and stereotyping affect a hiring committee person's attitude in the hiring process? What can be done to minimize misperceptions?

Every minute of every day our brain processes information from our sense organs, which causes us to categorize and stereotype as defense mechanisms from "data overload." It is human nature to be habit-forming, and perceptions and stereotypes help us to simplify and make order out of our very complex worlds. However, they also can cause us to make very wrong decisions. Further, perceptions affect attitudes, which in turn affect behavior, and so they are very important in building our view of ourselves, others and our world.

Since our impressions about an individual are based largely on our perceptions, they are necessarily somewhat subjective regardless of the amount of objective material we consider. Thus, when people sit on a hiring committee or are responsible for selecting a future employee out of a group of applicants, perceptions matter. Appearance, language, and every stimulus that is sent to the brain by our senses affect our perceptions of each applicant. Further, as one person perceives an applicant, others may also find themselves in agreement if the person holding the perception is favorably viewed by other committee members. This can lead to group stereotyping and groupthink and have adverse consequences.

Minimizing misperceptions requires clear communication, listening skills, objective thinking and keen observation. In this case, it is good to ask the students how Jonathon Roberts and members of the hiring committee could have done a better job in assessing the strengths and weaknesses of both Pete and Carolyn.

3. How important are sales experience and sales skills in choosing which person to hire? Is there a correlation between experience and skills, and eventual success selling in the field?

Sales experience and a strong skill set are important but not essential in selecting a salesperson. It is more important that the candidate have the right attitudes, values and ability to learn than a certain level of experience and/or skills. According to one expert, "if you hire someone with the right attitudes, motivation, character, and personality traits then you can train them to sell." (Suggs, 2014).

When interviewing finalists for a sales position, those involved in making the selection decision should ask questions that will reflect the candidates' attitudes and abilities, rather than only past experience and stories of success. Suggs believes that, in interviewing, it is important to "look for 5 things in this order: Attitudes (positive self-image, passion); Motivation (the need to achieve, self-driven); Character (concern for others, honesty, work ethic, responsibility for outcomes); Personality traits (social drive, social confidence, goal-orientation, need for control-i.e. fire in the belly) and Sales Skills (Good at prospecting, setting appointments, fact finding, presenting, handling objections, and closing)" (Ibid). So, while experience and sales skills are one variable to consider, they are not necessarily essential as a hiring criterion, and often have little correlation to long-term success in the sales force.

It would be good to have the students discuss this question as it pertains to the hiring of Pete and Carolyn. What questions would have helped the committee ascertain Don's weaknesses? What questions could have helped in assessing Carolyn's strengths, given her lack of experience?

4. What kinds of leadership traits do Sales Managers need to possess in order to deal with unexpected events involving his/her sales force?

One study showed the top ten traits of top salespeople to be ego strength (to handle rejection); sense of urgency (ability to complete the sale); ego drive (ability to persuade others); assertiveness (firmness in negotiations); risk tolerance (to be innovative); sociability (to build relationships); abstract reasoning (ability to sell ideas); sense of skepticism (to question and be alert); creativity (custom-tailor products and ideas to customers); and empathy (understanding customer needs) (Rasmussen, 1999).

However, what works in the field as a sales rep does not always work in the office as a manager. The two environments are very different and require different skill sets to succeed. According to Sprio (2008), the following are two sets of skills necessary for sales managers today: A) Personal Characteristics, which includes self-confidence, initiative, energy, creativity, and maturity, and B) Managerial Skills, including problem solving skills, interpersonal skills, communication skills and persuasive skills.

Out of these listed skills, the most important in dealing with unexpected events is a combination of self-confidence, creativity and communication skills. This is because, especially in crisis situations, subordinates look to leaders for direction and solutions. Leaders lacking self-confidence do not inspire others to work toward the goal; leaders without creativity often cannot solve problems; and managers who lack communication skills will not be able to win others over to his/her solution. Also flexibility and a willingness to listen are important in dealing with unexpected events.

4. Did Jonathon Roberts provide adequate training and time for Pete and Carolyn to succeed before evaluating them? Should Pete have had different training and/or resources given to him than Carolyn? Why?

Regarding Pete, who had previous sales experience in real estate on the East Coast, it could be argued that giving him some training in his first month in real estate finance on top of his existing body of knowledge was adequate. He already had experience, confidence and a strong skill set in other areas of sales. In hindsight, he certainly could have used some training in

teamwork and group dynamics. Given that the company was new, he also could have used more training in the company culture and expected code of conduct.

Carolyn was new in every way to sales, and did well with her 30 day trial training period. Others might not have had the same experience however, depending on their abilities and motivation.

The class should discuss the adequacy of the training from Pete's and Carolyn's point of view, and also from the standpoint of management. Training is costly and takes time away from the sales effort, but can have very good results if done properly.

5. Did Roberts handle the problems with Pete fairly? What specifically could have been done differently?

This question invites discussion and will result in disagreement among students as to how he was treated, trained and disciplined. The concept of fairness is very important to salespeople, in terms of territories, compensation, sales contests and many other factors of their job. There is sometimes a difference of opinion about what is fair and right behavior between sales persons and their sales manager, who has to balance the needs of his/her sales force with the needs of the company. This is a good time to show students the friction and disagreement due to differing perceptions that can occur between these salespeople and their manager.

Options involving the hiring committee would include doing a better job of checking references to see if Pete's behavior caused problems at prior employers, and asking more questions about how Pete would have handled certain sensitive situations during the interview.

Options to discuss with the class regarding Jonathon's management of Pete include giving Pete more training (especially in working as a team); giving Pete a mentor to work with him from the beginning of his employment; and having a longer period of probation.

6. Should Carolyn be used to train others? What positive and negative results might we expect from using a successful new salesperson to train more seasoned salespeople?

This is a sensitive question that brings up many conflicting arguments. Using a relatively inexperienced person who is an excellent salesperson can have both advantages and disadvantages. Advantages include sharing proven skills, motivating other new-hires, and possibly creating good relationships with others on the sales force that do not know the individual well. Spiro (2008) indicates that using line personnel to do training for experienced salespersons has many advantages, but that these trainings usually involve "senior sales representatives, field supervisors, territorial managers, and sales managers (p.202). One survey found that 75 percent of sales managers use their "A" reps to help train other salespeople (Chang, 2004).

Negative factors to using Carolyn as a trainer include possible jealousy, lack of respect for the inexperienced trainer and ostracism. Also some who are excellent salespeople are not good teachers, though Carolyn's experience in education makes that unlikely. Lastly, Carolyn herself may feel uncomfortable training others who are more experienced. How the training goes will depend on the relationships between the parties, which in her case is excellent.

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