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Absolute versus Relative Sales Failure

Jeff S. Johnson, PhD, Scott B. Friend, PhD, Brian N. Rutherford, PhD, and G. Alexander Hamwi, PhD

Everyone loves being on the winning side. It makes them feel accomplished, empowered, and confident, almost invincible. In fact, the stories that inspire us the most are focused on someone overcoming adversity or defeat and finding success again. We are attracted to the failure-followed-by-success pattern in life as well as in the professional selling field. Sales professionals may feel great about their jobs and their lives when successful, but completely different when failure enters the picture. Whether failure is experienced for the first time or the thousandth time, a sales professional’s view of the job can change quickly. Therefore, sales professionals’ views about failures will determine how they view their jobs, their commitment to their companies, and their potential to leave sales altogether.

Failure can have a profound impact on a salesperson’s effectiveness. Research has shown that failure affects a company’s bottom line through salesperson performance and turnover. Additionally, research has shown sales turnover is almost two times that of other careers. Failure is an inherent part of the sales process. However, the type of failure rather than failure itself may impact a salesperson’s performance. In our study, we focused on two types of failure: absolute failure and relative failure. Absolute failure is an individual salesperson’s percentage of calls or sales proposals resulting in failure. Relative failure is the amount of failure an individual salesperson experiences in relation to his or her peers. We commonly see absolute versus relative comparisons have differential effects in other walks of life, such as a person’s self-esteem after thinking about their wealth in absolute terms (e.g., I made good money this year) versus relative terms (e.g., I made less money than my friend), thus similar effects may happen when we compare absolute and relative failure. In this study, our purpose is to understand the effects of absolute failure and relative failure on job satisfaction, commitment of the sales professional to his/her company, and the potential to leave their organization.

Previous research has defined failure as a salesperson bidding for a sale s/he did not get. There is a lot of variability in that interpretation of a sales failure. Due to the nature of some industries, failure is a normal part of the sales experience. A large portion of how a sales professional defines failure is based on the unique lens through which the sales professional views a specific set of circumstances. Therefore, the skill to know what the salesperson can control and cannot
control can enhance or minimize the effect of failure in sales. Moreover, difficulty in defining failure may be partly due to the way in which a sales professional’s company or organization defines and assesses failure. As companies and supervisors have a large impact on the factors influencing failure (e.g., training, territory, and supervision), perceived organizational support can enhance or minimize the effect of failure. As a result, we propose that the familiarity of knowing what a sales professional can control and the perceived organizational support can minimize the adverse effects of sales failure on job satisfaction, commitment to the salesperson’s company and the potential to leave their organization decreases.

**Absolute Failure Poses Stronger Impact Than Relative Failure on Turnover**

Our findings show that absolute failure experienced by a salesperson has a comparably stronger impact than relative failure on job satisfaction and potential to leave employment. As absolute failure implies lack of control, its effect on sales professionals will push them to consider whether success can ever be achieved in their specific position. However, no clear pattern is shown that absolute or relative failure has a significant impact of salespeople’s commitment to their organizations. As job satisfaction and turnover intentions tap into a person’s feeling of fulfillment, organizational commitment taps into a salesperson’s sense of attachment and belonging. As failure increases, salespeople may feel they are not contributing as much to the organization and thus begin to psychologically distance themselves from the organization. As salespeople distance themselves from their organizations and coworkers, the differences in impact of absolute and relative failure are negated. Therefore, absolute failure has a much stronger impact on turnover than relative failure.

Furthermore, when a sales professional believes s/he is supported by his or her organization, the negative effects of absolute failure are diminished and s/he has the motivation to push past the failure. Additionally, the sales professional’s experience reduces the impact of relative failure on commitment to his/her company and potential to leave the organization. As experience grows, a salesperson will begin to see what is under his/her control and what is not. As the knowledge of what is controllable increases, a salesperson will develop the know-how to affect future outcomes, regardless of how often s/he is failing.

**Implications for Real Estate Sales Professionals**

Failure within sales and the real estate profession is a normal part of the job. Our research was conducted in the context of the general sales profession, which offers many similarities to the real estate professional’s job. Knowing how failure can affect real estate professionals on the individual-level can help them push through failure.

1. **Reframe the Definition of Failure**

The goal of a real estate professional is to complete the sale of a property for a client or to connect a client with the best property that fits the client’s needs and constraints. Failing to
accomplish that goal can leave a real estate professional feeling disappointed. However, if real estate agents reframe their definition of failure to a relative evaluation of the event (e.g., I fail about the same percentage as my peers) as opposed to an absolute evaluation (e.g., I failed 10 times this month), then this reframe can minimize the adverse effects. Additionally, *learning something new in the selling process,* or reframing goals and opportunities can also lessen the impact of failure. When real estate professionals include learning something new and when they have not closed the sale, they will have met at least one of their goals, eliminating absolute failure. Therefore, real estate professionals should identify new areas for learning – areas which make them better sales professionals. Learning how to explain key home features differently during the walk-through or learning how to better follow-up on leads will pay dividends in the future and helps lessen the impact of failing. Reframing goals can help redefine failure so each encounter can lead to some success, even if completing the sale is not met.

2. **Analyze Events Leading up to Failure**

The old adage, “It’s not how you fail, but what you learn from your failure that matters” is no exception to real estate. When professionals are in the middle of success, they are not forced to stop and ask questions about why they are successful. Failure provides opportunities to stop and ask what led to the failure. These moments can help redefine how real estate professionals approach their jobs.

We suggest three questions to ask after experiencing failure:

1. What did I learn from this situation?
2. How can I grow as a person and real estate professional from this experience?
3. Was there anything I could have done before the failure that could have helped?

These three questions provide a learning framework for real estate professionals after experiencing failure. Answers to these questions may signal the minor adjustments needed in order to succeed again.

3. **Interview Veteran Real Estate Professionals about Their Perspectives on Failure**
Although it may feel like there is no way around failure, others have succeeded in the face of failure. Therefore, take the opportunity to seek out veteran real estate agents to ask them questions about how they handled failure. Not everyone will have the same failures or respond in the same ways, but taking the opportunity to learn from others how they handled failures can provide invaluable insights. Even Warren Buffet had a mentor, Benjamin Graham, and sought his help in the midst of failure. For those managing real estate agents, facilitating this process may serve as a form of organizational support, which we also show can mitigate the adverse effects of sales failures.

Here are five questions to ask real estate veterans about how they handled failure:

1. What did you learn about failing?
2. What did you change after your failure?
3. How did you define success or failure before failing and did that change?
4. How many times have you experienced failure to get where you are now?
5. What was the most difficult aspect of failure for you?

4. Recognize There will be Seasons of Failure

Real estate falls prey to seasons of great success and seasons of limited success. Spring and summer are traditionally seasons of abundance -- with more sellers and buyers in the market. As a result, spring and summer are seasons where the challenge may well be finding enough time for each client. Recognize that these seasons provide increased opportunity to provide repetitive practice of selling skills. Conversely, winter is traditionally a season with fewer homes and fewer buyers on the market. The slower pace of winter makes this an ideal time to experiment with new strategies and new skills. Take a class on negotiating or learn how to better stage a home. Recognizing that seasons having varying degrees of success and failure will help real estate professionals think through each season strategically and prepare themselves to capitalize best on each season.

Conclusion

Failure can have profound effects on real estate professionals, affecting their job enjoyment, commitment to their companies, and even potentially commitment to their real estate career. Although absolute failure has a larger negative impact on job satisfaction and commitment to real estate, the real estate professional can take control to mitigate the effects of relative failure and put into motion new methods to help mitigate the effects of absolute failure.
About Our Study

In order to study the effects of absolute and relative sales failure, we distributed a survey across multiple organizations (a research firm distributed an undefined number of emails to potential respondents working in sales). After reaching our goal of 750 respondents, the survey was closed. Participants in part-time sales or those with excessive data missing were removed, yielding 626 usable surveys. The average age of salespeople who responded was 46.1 years and the average sales experience was 14.5 years representing both business-to-consumer and business-to-business sectors. A roughly equal representation of both genders was captured (52.5% being female).

Recommended Reading


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