Impacts of Short- and Long-Term Managerial Objectives on Sales Force Control Systems and Salespeople's Performance

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Abstract

Most past studies on sales force control systems (SFCS), which have relied on the over simple outcome-/behavior-based and formal-/informal-control conceptual framework, have led to contradictory and/or inconsistent findings. This paper proposes to account for some time related aspects of SFCSs, especially the impacts of short- and long-term managerial objectives on SFCS design and usage, as well as on short- and long-term salesperson performance. Relying on an extended definition of a SFCS, this paper introduces the concepts of usage intensity, depth of usage and extent of enforcement of control and feedback tools. A series of research propositions is derived.

Key words: Sales force control systems, short- and long-term objectives, short and long-term performance.

Over the last few years, an important stream of research initiated by Anderson and Oliver (1987) has addressed sales force control issues. Most subsequent studies (see for instance, Cravens *et al.* 1993; Baldauf, Cravens, and Piercy 2001) have attempted to identify antecedents and consequences of sales force control systems (SFCS). Typically, SFCSs have been characterized by their outcome- versus behavior (or activity), and/or by their formal versus informal control orientations (Jaworski 1988). Outcome-based SFCSs monitor the final outputs (e.g. sales or profits) and require minimal salesperson supervision and simple performance measures. They have been qualified as liberal management whereby salespersons are independent entrepreneurs responsible for their own activities and performance. In contrast, behavior-based SFCSs monitor salespeople’s activities (i.e., intermediate states of the selling process), and require close supervisors' interference with salespeople's activities. Controls have been assumed to range from purely outcome-based to purely performance-based (Oliver and Anderson 1994; 1995).

Although sales force control has been shown to affect performance (see for instance, Agarwal 1999; Ramaswami 1996; Piercy, Cravens and Lane 2001; Aulakh and Gencturk 2000), research has frequently yielded inconsistent results (Baldauf, Cravens, and Piercy 2005). Studies have focused on the performance implications of using outcome- versus behavior/activity-based SFCSs. Propositions on reliance on behavior- or outcome-based SFCSs have found some general, although weak empirical support (Oliver and Anderson 1995; Challagalla and Shervani 1996; 1997). In addition, it has been observed that most firms use hybrid forms of sales force control (Jaworski 1988; Ouchi and Maguire 1975; Oliver and Anderson 1995). No explanation has been provided, however, why in practice, one can observe the use of a wide array of outcome- and behavior-based control tools. This suggests that, the outcome- or behavior-based control distinction provides only limited explanation of what induces a firm to select a specific set of control tools.

Recently, Baldauf, Cravens and Piercy (2005, p. 10) reviewed the contributions of the various empirical studies and concluded that “there is no apparent unified view of sales management control.” They also call for broader and more encompassing SFCS conceptual frameworks. For instance, managers have at their disposal a wide array of control tools they can choose from in order to achieve specific objectives. It is a widely accepted proposition in sales management that selling organizations have long-term objectives and try to build strong and lasting relationships with selected customers. In contrast, sales managers are frequently under pressure for achieving shorter-term sales or market results, and consequently, must at the same time realize a certain level of short-term transactions in order to ensure immediate revenues to their firm. Depending on the relative emphases an organization puts on short- versus long-term objectives, the selected control tools are unlikely to be the same and/or used with the same intensity.

The objectives of this paper are (1) to propose a conceptual framework that focuses on the type and time horizons of a firm’s various objectives, (2) to investigate the impact of different objective horizons on the selected control tools and on performance. A set of research propositions is proposed.

1. Sales force control defined

Most previous research studies have defined a SFCS as “an organization’s set of procedures for monitoring, directing, evaluating, and compensating its employees” (Anderson and Oliver 1987, p. 76). This *functional* definition emphasizes the broad categories of actions that managers take in order to influence the sales force. It fails, however, to emphasize that (1) the purpose of a SFCS is to help management achieve its multiple and heterogeneous *objectives* requiring different tools or actions over time; (2) a SFCS is *an influence process* that takes place over time (Jaworski 1988; Jaworski and MacInnis 1989; Jaworski, Stathakopoulos, and Krishnan 1993). A SFCS attempts to constantly align salespeople's and management's objectives, by influencing various elements of the selling process (Challagalla and Shervani 1996). Consequently, it is essential to consider the type of managerial objectives, not only in terms of their outcome-behavior dimension, but also in terms of the firm's short- versus long-term objectives (or transactional versus relational orientations).

In this study, a SFCS is defined as "an influence process that management uses in order to induce salespeople to work toward the accomplishment of the firm's short and/or long-run objectives" (Eisenhardt 1985). Short-term objectives are defined as having a one-year or less time horizon, while long-term objectives extend over one year. Figure 1 provides an overview of the proposed conceptual model.

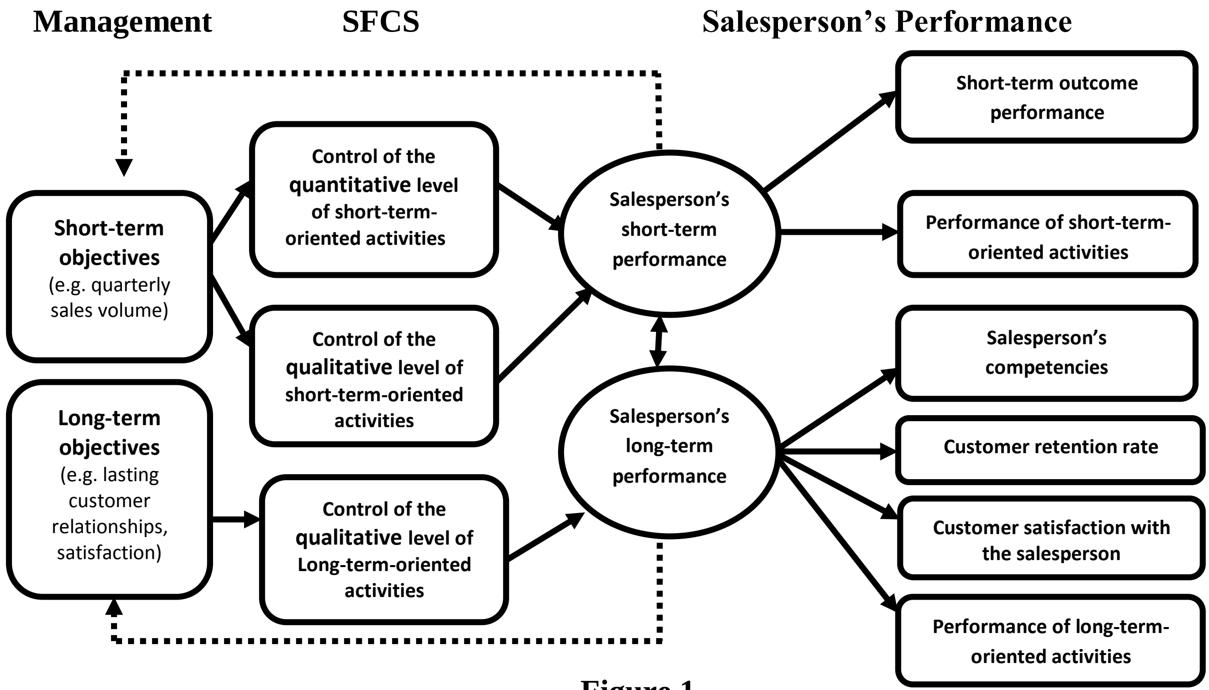


Figure 1
SFCS Conceptual Framework

2. Managerial objectives

Most past studies have not considered the impact of management's objectives on the SFCS design and usage. A sales organization typically pursues several objectives. These objectives, especially their short- (or transactional) versus long-term (or relational) orientations, should have a strong impact on the ways sales managers design and use their SFCS, and consequently on salespeople's short versus long-term performances. Hence, the first proposition:

P1. Sales managers pursue various mixes (in relative numbers and importance) of short- and long-term objectives.

The relative size and importance that managers give to each type of objective reveals the short- or long-run orientation of a sales organization. A SFCS is a process that managers use for inducing salespeople to meet the firm's *outcome performance* objectives *over some period of time*. At least some short- *and* long-term objectives bear on *outcomes*. Other ones, typically *behavior* and/or *activity* objectives, are only intermediate goals, a means to an end toward achieving some outcome performance levels over various planning horizons, the final goals of any sales organization. Hence, the research proposition:

P2. At least some short-term and some long-term managerial objectives are expressed in terms of salespeople's ***outcome*** performance.

3. Sales force control strategies

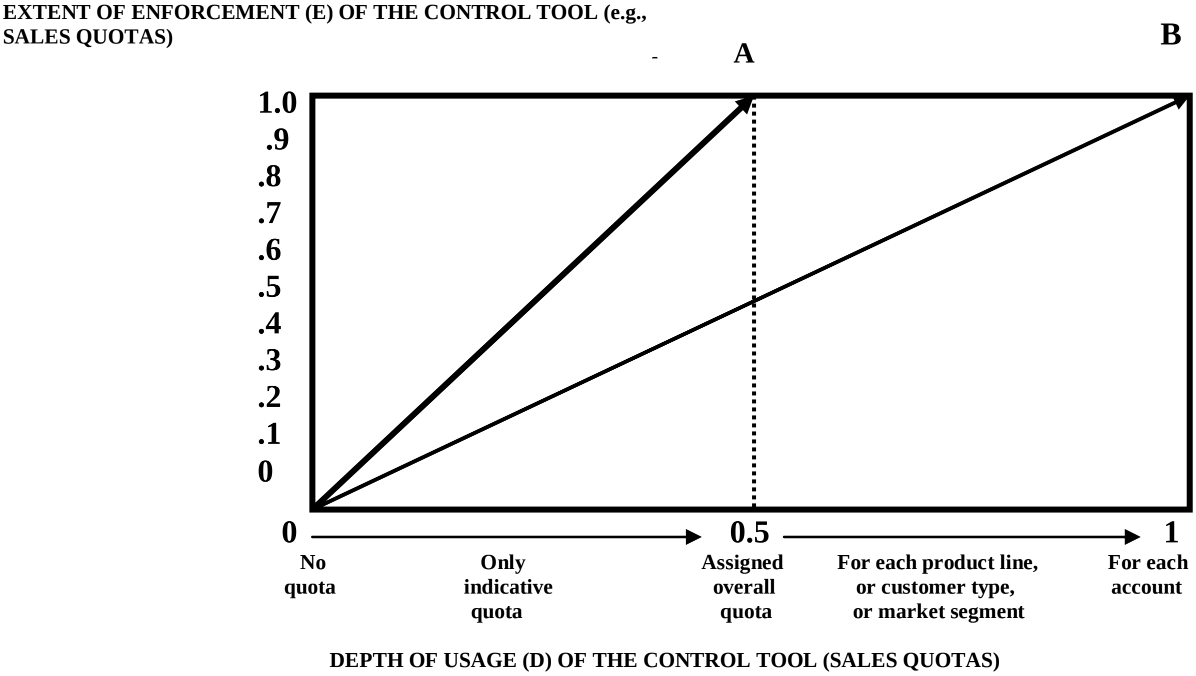
The choice of specific control tools depends at least partly on the mission assigned to sales management. To that purpose, management selects those control tools that are likely to best influence various elements of a salesperson's *selling process*. The type of control approach that managers follow dictates the nature and quality of the feedback information they need for exerting this control. In order to meet their objectives, managers select influence strategies, especially (1) on which aspects of the salespersons' selling process they will exercise influence, (2) with which (appropriate) control tools, as well as (3) with which intensity they use those control tools. In addition, because of the dynamic nature of a SFCS, managers must organize proper feedbacks concerning the outcomes of those actions, in order to adjust their influence processes over time.

The various elements of a salesperson's selling process are susceptible to managerial influence, especially (1) the objectives the salesperson intends to pursue, (2) the salesperson's quantity of selling efforts, i.e., "working hard" (Sujan 1986), (3) the quality of those efforts (i.e. "working smart"). A list of the main managerial influence tools that managers can use in order to implement the selected influence strategies is provided in an extended version of this paper. In a given situation, managers select and use a subset of the control tools at their disposal. For instance, should they wish to increase the quantitative level of salespeople's activities, management might impose strict call norms. When the influence objective is to increase the quality level of activities, they might rely on salespeople's supervision, coaching, supporting, formal training, and/or skill development programs. It is proposed that:

P3. a) Other things equal, as a sales organization is more short-term than long-term oriented, its control mix relies more heavily on tools that tend to increase the quantitative, and possibly the qualitative, levels of salespeople's short-term-oriented activities
b) Other things equal, as a sales organization pursues is more long-term than short-term oriented, its control mix relies more heavily on tools that tend to increase the qualitative level of salespeople's long-term-oriented activities

4. The concept of control tool usage intensity

A sales manager may use any control tool at various *intensity* levels. Intensity refers to (1) the *depth of usage*, e.g., over a certain period of time, a sales manager may not assign quotas at all (zero depth) or assign very detailed sales quotas (high depth); and (2) the *extent of enforcement* of the control tool, e.g., managers may assign quotas that are only guidelines, with no adverse consequence for salespeople that do not meet them (low extent of enforcement), or alternatively, with serious consequences for those salespeople (high extent of enforcement). The diagram of Figure 2 shows the various possible combinations of the two sales tool usage characteristics. Assuming that a manager uses sales quotas to, say half of this influence tool potential (depth of usage D = .5, with $0 \leq D \leq 1$) and enforces this decision to its full extent (extent of enforcement E = 1.0, with $0 \leq E \leq 1$), the quantity OA / OB may be an adequate measure of the intensity of usage (U) of this control tool by management.



Example: $U_i = [(D_i^2 + E_i^2) / 2]^{1/2}$ i.e., $U_{quota} = [(0.5^2 + 1^2) / 2]^{1/2} = 0.79$

Figure 2
Depth of Usage and Extent of Enforcement of a sales Force Control Tool

Therefore, analytically, the level of usage of any control element i can be expressed as:

$$U_i = \left[(D_i^2 + E_i^2) / 2\right]^{1/2} \qquad (1)$$
$$\text{with } 0 \leq U_i \leq 1$$

At the level of the overall tool kit actually used by management for influencing the salespeople's selling processes, Formula (1) can be extended in order to assess the overall level of control (LC) exercised by sales management:

$$LC = \sum_i U_i = \sum_i \left[(D_i^2 + E_i^2) / 2\right]^{1/2} \qquad (2)$$
$$\text{with } 0 \leq LC \leq n$$

where n is the number of tools in the tool kit. This leads to the following proposition:

P4. a) Across sales organizations, the sales force control tools used by management vary in terms of depth of usage and extent of enforcement.
b) Depth of usage and extent of enforcement by management are two independent characteristics of control tools.

5. The performance consequences of the SFCS

Salesperson's short-term performance reflects the extent to which short-term objectives (one year time horizon or less) have been met. In the same way, long-term performance is associated with long-term objective achievement (over one year time horizon).

As shown in Figure 1, a salesperson's short-term performance is reflected by this salesperson's short-term outcomes (sales, profits, market share, etc.) and by the performance of some short-term oriented activities (such as number of customer and prospect calls, demonstrations, etc.). A salesperson's long-term performance can be reflected by four indicants: (1) salesperson's competencies (product knowledge, communication skills, empathy, etc.); (2) the customer retention rate; (3) the customer levels of satisfaction with the salesperson on different aspects of the relationship; and (4) the salesperson's performance of various long-term oriented activities (e.g., relationship building, servicing accounts, etc.).

The nature, quantity and quality of salespeople's activities lead to outcome performances. Assuming that all the selected control tools used by management are as effective as anticipated, and that the right tools have been selected, salespeople should achieve the anticipated performance levels. Because short-term performance is often incompatible with long-term performance, it is proposed that they are negatively related.

P5. a) There is a positive relationship between the amount of quantitative level of short-term-oriented activity controls exerted by management and a salesperson's short-term performance.
b) There is a positive relationship between the amount of qualitative level of short-term-oriented activity control exerted by management and a salesperson's short-term performance.
P6. There is a positive relationship between the amount of qualitative level of long-term-oriented activity control exerted by management and a salesperson's long-term performance.
P7. There is a negative relationship between a salesperson's short- and long-term performances.

6. Informational feedbacks

In order to adjust controls, two types of feedback are typically used by management: those that flow toward management about salespeople's activities and outcomes, and those flowing from management to salespersons, in order to influence their subsequent activities and behaviors. The former type of feedbacks may originate from salespeople, their immediate supervisors, other internal personnel, customers, and/or from syndicated services. These feedbacks should be considered as part of the control system. Like control tools, every type of feedback tool used by management is characterized by its depth of usage, as well as by its extent of enforcement by management. In this case, depth of usage refers to the frequency and the level of detailed feedback information required from the various sources. Extent of enforcement refers to the accuracy and timeliness required from the various sources when providing this information.

P8. a) Across sales organizations, the sales force feedback tools used by management vary in terms of depth of usage and extent of enforcement.
b) Depth of usage and extent of enforcement by management are two independent characteristics of feedback tools.
P9. There is a positive relationship between the size of the selected SFCS intended at influencing some aspect of a salesperson selling process and the size of the corresponding feedback information system.
P10. Other things equal, across sales organizations, there is a positive relationship between the size of their control tool kit and the size of their feedback tool kit.
P11. Proposition 10 is true for the control of short-term as well as for long-term objectives-performances.

The impact of personal, organizational, and environmental characteristics on a SFCS have been mentioned (Cravens et al. 1992), although no specific variables and relationships have been specified in this paper. This conceptual framework could be extended to include such factors. Empirical validation of the proposed model is also a natural next step.

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