Dual Control of Salesforce in Partially Integrated Channels[☆]

Stephen K. Kim [a,*], Amrit Tiwana [b,1]

[a] *Iowa State University, College of Business, Department of Marketing, Ames, IA 50011-1350, United States*
[b] *University of Georgia, Terry College of Business, Department of Management Information Systems, Athens, GA 30602, United States*

Available online 11 May 2017

Abstract

A manufacturer using a partially integrated channel (PIC) dispatches its own salesforce to the retailers that it sells through. The manufacturer salesforce in a PIC is *simultaneously* subject to controls by the manufacturer and the retailer, which we call dual control. Despite its increasing prevalence, how dual control influences salesforce performance remains understudied. We develop a discriminating alignment framework through two steps to answer this question. The first step examines the influence of a controller on the efficacy of a control mechanism. The efficacy of a control mechanism varies with the party that exerts control. The second step expands this logic to dual control. The performance effect of dual control is equivocal: It may have a positive, negative, or no influence on salesforce performance depending on discriminating alignment. To improve salesforce performance, a manufacturer's control and a retailer's control must compensate for each other's weaknesses. Empirical tests based on matched dyadic data of dual control of salesforce by apparel manufacturers and retailers support our predictions with considerable theoretical and managerial implications.

© 2017 New York University. Published by Elsevier Inc. All rights reserved.

Keywords: Partially integrated channel; Process control; Outcome control; Discriminating alignment; Salesforce performance

Introduction

Manufacturers increasingly rely on partially integrated channels (PICs) to reach and serve customers. A manufacturer using a PIC sells through retailers but also staffs retailer stores with its own salesforce. Partially integrated channels are found in diverse industries including high-end fashion apparel (e.g., Armani's own boutique within Neiman Marcus), cosmetics (e.g., Shiseido's counters within Nordstrom), and consumer electronics (e.g., Samsung's Experience Shop within Best Buy). Manufacturer salesforce working in a PIC is subject to controls by two "masters": The manufacturer that employs the salesforce and the retailer that hosts the salesforce. Fig. 1 illustrates dual control of salesforce in a PIC. The manufacturer has a one-to-many control relationship with its salesforce deployed in various retailers, whereas the retailers have a many-to-many relationship with them.

Using a PIC has been shown to enhance a manufacturer's downstream flexibility and control (Kim et al. 2011) and to economize a retailer's cost of hiring, training, and compensating its own salesforce (Lal, Egawa, and Toyama 2006). However, it also presents a theoretically underappreciated quandary: The manufacturer's control of salesforce overlaps with the retailer's control of salesforce, hence dual control of salesforce.[2] In addition to the manufacturer's control of its salesforce, a hosting retailer also is motivated to control the manufacturer salesforce (salesforce hereafter) because those salespeople, although they are the manufacturer's employees, represent the retailer to customers and influence its own sales performance. The retailer needs to ensure that (a) manufacturer brands are presented to customers in line with the retailer's image, (b) salesforce activities provide a coherent shopping experience to customers, and (c) manufacturer salesforce remains cognizant of the retailer's own interests in their interactions with customers.

[*] Corresponding author. Fax: +1 515 294 7112.
E-mail addresses: stevekim@iastate.edu (S.K. Kim), Tiwana@uga.edu (A. Tiwana).
[1] Fax: +1 706 542 0037.

[2] Control has been used to denote a mechanism, a process, or an outcome in prior studies. We use the term "control" to denote a "control mechanism."
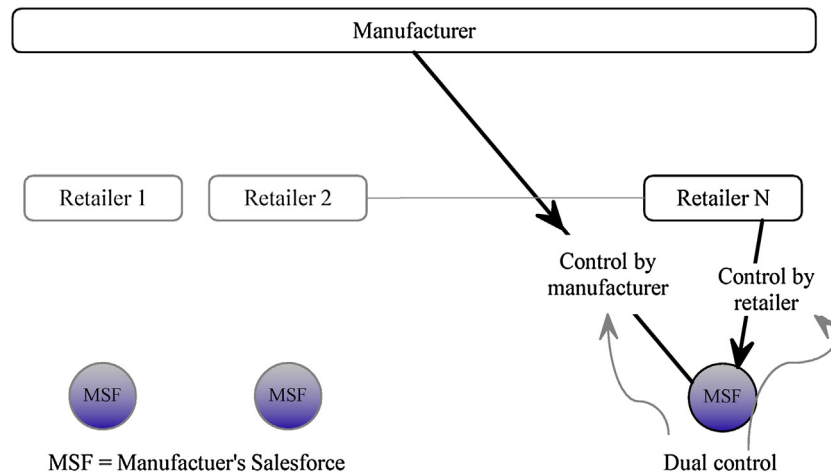
Fig. 1. Salesforce controls in a partially integrated channel.

Dual control in a PIC can potentially be synergistic or conflicting. Yet, the performance effect of dual control remains undertheorized with two unexplored puzzles. First, the role of the party that applies control remains unexplored. Prior research focused on controls by a single party: an employer's control of in-house salesforce (Anderson and Oliver 1987) *or* a manufacturer's control of independent distributors (Bello and Gilliland 1997). Therefore, researchers did not have to account for influence of multiple controllers. In contrast, two layers of control – one by a manufacturer and the other by a retailer – overlap in a PIC (Rangan 2006). This setting makes it imperative to account for the varying influence of two different controllers because an identical control can have a dissimilar effect depending on who applies it (Crosno and Brown 2015).

Second, would salesforce controls by a manufacturer and a retailer complement or substitute each other for salesforce performance? One may surmise that two different controls would complement each other while two identical controls would substitute each other. Although those are reasonable conjectures, lack of theorizing and empirical evidence make it impossible to make any definite statement on the consequences of dual control. As the first step to address these gaps, this study takes a nuanced approach on dual control guided by the following research question: *How does dual control shape salesforce performance in a PIC?*

We theorize that dual control has a positive influence on salesforce performance *only* when a retailer's control is discriminatingly aligned with that of a manufacturer. It is called *discriminating* because only certain combinations of two controls has a positive influence on salesforce performance, whereas others may be inconsequential or even counterproductive.

Addressing this research question is important for theoretical and pragmatic reasons. From a theoretical standpoint, studying dual control expands the theoretical scope of salesforce control research from a single firm's controls to simultaneous controls by two firms. From a pragmatic standpoint, deploying dual control is costly and a wrong configuration of dual control may diminish salesforce performance despite expending resources

for control efforts, thereby hurting all three parties in a PIC: the manufacturer, the retailer, and the salesforce.

Our original theoretical contributions are twofold. First, building on recent studies highlighting the importance of considering social (Heide, Wathne, and Rokkan 2007) or informational (Heide, Kumar, and Wathne 2014) requirements for control, we theorize that a control mechanism works only when its requirements are matched by control capacity of the controller (Ouchi 1979), thereby explaining why the effect of an identical control may vary with the party that applies control (Crosno and Brown 2015). Second, we explicate through a discriminating alignment framework why the effect of dual control is nuanced – has a positive, negative, or no effect on salesforce performance – depending on a particular configuration of control mechanisms.[3] We test the proposed ideas using matched-pair dyadic data of a manufacturer and a retailer of fashion apparel. Subsequent sections develop the hypotheses (§2), describe the methods (§3), analysis and results (§4), and discuss implications of the study for theory and practice (§5).

Theoretical Development

Discriminating Alignment

The first step

We develop the logic of discriminating alignment between controls in two steps. The first step is concerned with the efficacy of a single control mechanism through a match between control requirements and a controller's control capacities. The two cardinal mechanisms of salesforce control are process con-

---

[3] Our discriminating alignment framework is consistent with two recent studies that examined how specific governance mechanisms operate under different *governance modes*. (1) Kumar, Heide, and Wathne (2011) examined how a firm's two governance mechanisms (norms and incentives) applied to its supplier relationships match or mismatch with the same governance mechanisms applied to its internal relationships for manufacturer performance. (2) Heide, Kumar, and Wathne (2014) examined how the effect of two governance mechanisms (monitoring and norm) on supplier opportunism and supplier performance varies under single versus dual governance modes.