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Control mechanisms, idea transfer, and performance in sales organizations

Karen E. Flaherty *, James M. Pappas [1]

Department of Management, Spears School of Business, Oklahoma State University, Stillwater, OK 74078, United States

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ABSTRACT

Drawing on the knowledge-based theory of the firm, the authors examine the differential effects of an individual orientation and a group orientation on idea transfer from the salesperson to the sales manager. The authors also consider the moderating effect of output and process control on the relationship between group and individual orientation and idea transfer. The results suggest that individual and group orientations have different effects on idea transfer, and these effects are moderated by output control. Salespeople who share ideas with the sales manager are rated as higher performers by the manager. At the group level, a climate of idea sharing among salespeople results in improved unit performance.

1. Introduction

According to the knowledge-based theory of the firm, original ideas develop from autonomous individuals, diffuse within the team, and then become organizational standards (Nonaka & Takeuchi, 1995). Once ideas and thoughts develop in the minds of individuals, they must be transferred to others, assimilated among a group to create group knowledge, and then transferred and integrated across groups to create organizational knowledge (Grant, 1996a, 1996b; Nonaka & Takeuchi, 1995). By successfully transferring and integrating individual knowledge, firms achieve a position of competitive advantage (Nonaka & Konno, 1998). Over the past decade, academics have acknowledged the importance of knowledge management and have begun to study these processes in more depth.

Existing literature clearly suggests that complex skills and knowledge are embedded in the minds of individual organization members. The firm's ability to leverage this embedded knowledge, however, is not automatic (Badaracco, 1991). It depends greatly on organization's routines and practices, which influence how organization members offer knowledge to others and how they take this knowledge into consideration (Conner & Prahalad, 1996). Organizational routines and practices vary in the extent to which they promote effective information flows, reduce information overload, and facilitate information sharing. Several conceptual studies explore this line of reasoning. For instance, Tushman and Nadler (1978) suggest that mechanistic organizational forms decrease information processing capabilities, while organic forms increase information processing capabilities. Similarly, Simons (1991) argues that various organizational mechanisms influence information search and use, and Makhija and Ganesh (1997) propose that the type of coordination mechanism employed by the firm will influence the type of information transferred. While this research is useful in demonstrating the relevance of various organizational practices (e.g., control and coordination mechanisms) to the firm's knowledge management processes, it does not yet provide a complete understanding of how these organizational practices affect specific phases of the knowledge management process or performance. To the best of our knowledge, no prior study has empirically examined the potential influence of management coordination mechanisms on the transfer of new ideas. As a result, organizations remain largely in the dark about how to stimulate idea transfer (Davenport & Prusak, 1998).

Our main research objective here is to provide a more complete explanation of how managers can influence one step of the knowledge transfer cycle—the transfer of information or ideas from the employee to management. We know that managers typically use coordination mechanisms to help achieve their organizations' goals (Gupta & Govindarajan, 1991; Ouchi, 1979). Control systems and various other coordination mechanisms are often employed to help motivate organization members to perform certain tasks and to make decisions that are consistent with organization objectives. In many respects, “a control system performs its function by controlling the flow of information” (Brinberg & Snodgrass, 1988, p. 447). We consider the impact of informal coordination mechanisms on the transfer of ideas from individual organization members to group managers. Specifically, we evaluate the extent to which an individual-oriented coordination mechanism (the extent to which employees take pride in their work and responsibility for their own job activities) and a group-oriented coordination mechanism (the extent to which employees interacts with and receive feedback and evaluation from

* Corresponding author. Tel.: +1 405 744 8653.
E-mail addresses: karen.flaherty@okstate.edu (K.E. Flaherty), james.pappas@okstate.edu (J.M. Pappas).
[1] Tel.: +1 405 744 7729.

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peers) influence idea transfer. We also consider how formal output coordination mechanisms might moderate the relationship between informal organizational coordination and the transfer of ideas from individuals to their managers. Finally, we establish a link between idea transfer and selling performance at the individual level as well as idea transfer and unit performance at the group level (refer to Fig. 1).

The remainder of this article is organized in three sections. First, we consider the various perspectives of knowledge management processes from the existing management and marketing literature. Second, we develop our model, which identifies factors under an organization's control that may influence the occurrence of the transfer of ideas from the individual to the manager. Third, we provide an empirical test of our model and discuss the results.

2. Knowledge management perspectives

The term "knowledge management" is generally used to describe the effective use of knowledge resources—including organizing and making available all pertinent explicit and tacit knowledge (Sabherwal & Becerra-Fernandez, 2003). A firm's explicit knowledge is information that is already recognized and articulated in some form, while tacit knowledge includes insights, intuitions, and hunches that may be more difficult to express (Nonaka, 1994; Polanyi, 1996). These insights, intuitions, and hunches are also often referred to as "data," connoting potentially important information that has not yet become knowledge. The accumulation of "data" is obviously critical to the knowledge management process. Without this initial piece of information, new knowledge will never develop.

Knowledge and knowledge management are at the core of several related theoretical perspectives. These include the knowledge-based theory of the firm, organizational learning theory, and Nonaka's theory of knowledge creation. The fundamental position of the knowledge-based theory of the firm is that the firm's unique knowledge is its most valued resource. As mentioned previously, the knowledge-based theory of the firm suggests that knowledge starts with the individual and, to the extent that the firm can access and integrate this knowledge using various mechanisms and technology, the firm will achieve a competitive advantage (e.g., Conner & Prahalad, 1996; Grant, 1996a, 1996b). Firms exist primarily to provide the knowledge integration function (Kogut & Zander, 1992). Likewise, organizational learning theory argues that organizational learning takes place through individuals (Simons, 1991), but ultimately comes together to impact the organization (Slater & Narver, 1995). Organizational learning is something more than just the cumulative learning of each individual (Fiol & Lyles, 1985). Nonaka's theory of knowledge creation (Nonaka, 1994; Nonaka & Konno, 1998; Nonaka & Takeuchi, 1995) also argues that individual knowledge is the foundation for organizational knowledge. An organization cannot create knowledge devoid of individuals (Conner & Prahalad, 1996; Kogut & Zander, 1992).

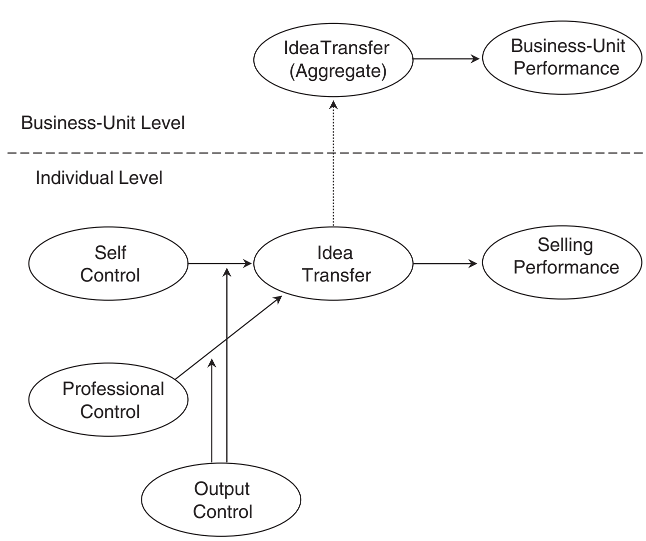

Fig. 1. Conceptual model.

In the current study, we consider how salespeople contribute new knowledge in the form of ideas for new programs, initiatives, etc., within the organization. We acknowledge that individual knowledge often comes from the formal leaders. However, we suggest that offering ideas is not solely reserved for those who occupy a formal leadership position within the organizational hierarchy. As a result, it is essential that firms understand how managers can facilitate and encourage these functions among all employees. We build on these basic principles to derive our hypotheses.

3. Conceptual development and study hypotheses

The present study was motivated by several organizational developments. An increasing pace of competition coupled with increasing resource constraints as well as shortened product life cycles heightens the pressure to "internalize new information" within the firm in an effort to engage in successful strategic renewal (Floyd & Lane, 2000). To accomplish this task, top management must have access to new information and be able to internalize it in order to shape new competencies (Burgelman, 1991, 1994; Floyd & Lane, 2000). Perhaps one of the most important functions of management control is to facilitate information transfer within the organization (Ouchi, 1979; Tushman & Nadler, 1978). Controls affect the flow of knowledge throughout the organization. They act as signals to individuals regarding what activities ought to be executed. Yet researchers have largely ignored the effects of management control systems on idea transfer. In an effort to address this gap, we consider the interplay between two types of informal control (self and professional), output control, idea transfer from the salesperson to the sales manager, and its resulting impact on selling performance as well as its aggregated effect on unit performance. In the following sections, we review the management control literature and develop hypotheses regarding the effects of control on idea transfer and performance.

3.1. Management control systems

Management control systems (MCS) are often defined as systems for influencing and coordinating human endeavors within the firm (Flamholtz, Das, & Tsui, 1985; Langfield-Smith, 1997). Examples include planning systems, budgeting systems, career planning systems, and project monitoring systems (Marginson, 2002). Past research in MCS focused on formal control systems, including both process (activity or behavior-based) and output (direct or volume-based) control (Anderson & Oliver, 1987; Cravens, Ingram, LaForge, & Young, 1993; Jaworski, 1988) as well as informal control mechanisms (Jaworski, Stathakopoulos, & Krishnan, 1993; Mintzberg & Waters, 1982; Ramaswami, 1996). Informal controls do not impose strict procedures and rules to be followed. Instead, the control evolves from a clan culture supported by management and the firm (Ouchi, 1980). Several distinct types of informal controls are noted in the literature (e.g., Jaworski et al., 1993; Ramaswami, 1996; Robertson & Swan, 2004; Sharma, 1997). In this paper, we focus on an individually oriented mechanism, "self-control" (i.e., taking responsibility for one's jobs, etc.), and a group-oriented mechanism, "professional control" (i.e., control via professional norms).

3.1.1. Self control

While transaction cost economics suggest that individuals will exhibit self-interest and bounded rationality (Williamson, 1985),