How critical events shape the evolution of sales organizations: A case study of a business-to-business services firm

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ABSTRACT

While the literature recognizes that sales organizations evolve as they seek to improve their effectiveness, little is known about this evolutionary process. As a first step toward remedying this important knowledge gap, this case study uses event systems theory to explain the process through which critical events shaped the evolution of a sales organization over the course of a thirty-year period. The results reveal that (1) shifts in the sales organization were prompted by events that focused the unit's attention on the desire for growth or on the need to curb excesses, (2) the primary mechanism for effecting change in the sales organization was the flattening and de-flattening of organizational structures, and (3) a high degree of correspondence exists between shifts in organizational structure and, both, a salesperson's level of social capital and the incidence of unethical salesperson behaviors. The theoretical and practical implications of these findings are discussed.

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1. Introduction and research motivation

> We want to create an environment where our salespeople thrive and feel like we aren't always looking over their shoulder, but at the same time, we have seen the dark side that comes with free reign of the successful salesperson.
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> [–Top Management Team Member at ServicesCo]

The term sales organization refers to the set of individuals whose primary responsibility is generating profitable sales volume within a firm (Grant & Cravens, 1999). The effectiveness of sales organizations is determined not only by the characteristics (e.g., skills, orientations and motivation) of the salespeople who interface with customers, but also by a multitude of structural factors that directly or indirectly influence salesperson behavior and customer satisfaction, such as compensation and control systems, territory design, and cross-functional process integration (Churchill et al., 1985; Cravens, Ingram, LaForge, & Young, 1993). To remain effective over time, a sales organization must adapt structurally to ensure that it can service the evolving strategic priorities of the firm and ever-changing needs of customers (Piercy, Cravens, & Morgan, 1999).

As sales organizations adapt their structures in pursuit of sustained effectiveness, the implications for salespeople are often substantial. For instance, salespeople are often asked to take on a different job title, report to a different supervisor, work in a different territory, adhere to new processes, or even behave in a different manner, all of which may be a source of stress or opportunity for them (Rafferty & Griffin, 2006). More indirectly, changes within a sales organization may dramatically impact salespersons' on-the-job welfare by altering their relative level of influence and prominence within a firm, depending on whether their personal characteristics are a good match for the demands of the restructured work environment.

Despite widespread recognition that sales organizations evolve as they seek growth and attempt to improve their effectiveness (Homburg, Schäfer, & Schneider, 2012), little is known about this evolutionary process in general, and, specifically, about how sales employees influence and are influenced by the ongoing adaptations necessary to ensure the effectiveness of sales organizations. As a first step toward redressing this important knowledge gap, this research builds on case study techniques (e.g., interview, direct observation, supporting documents) to trace the structural evolution – over a thirty-year period – of a sales organization within a business-to-business services firm. Our inquiry is grounded in event systems theory, which posits that (1) organizations are dynamic (2) events drive change and dynamism in organizations (3) event strength determines the impact of events, and (4) events can be bottom-up or top-down in nature, such that organizational change can be rooted in the actions of employees (bottom-up) or in the decisions of the top-management team (top-down). In line with

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this theoretical lens, our research thus aims to inform the following three research questions:

R1 : What kinds of events prompt the evolution of sales organizations?

R2 : To what extent do salespeople contribute to the events that influence the evolution of sales organizations?

R3 : What are the implications of evolutionary events for salespeople?

The study's findings, which are partially illustrated in our opening quote, reveal that shifts in the sales organization under study were prompted by events that either focused the unit's attention on the desire for growth or on the need to curb excesses. Moreover, the data reveal that the flattening or de-flattening of organizational structures (e.g., move away from hierarchical levels and emphasis on open communication between employees) is a primary mechanism through which evolutionary shifts were achieved within the sales organization. Importantly, the findings also indicate that salespeople with vast amounts of social capital were instrumental in the realization of structural shifts (in some instances, even more important than top management), and that such salespeople tend to substantially benefit from the changes to the sales organization. Finally, the results indicate that a high level of correspondence exists between the flattening of the hierarchical structures that accompanied the organizational shifts within the sales organization and the emergence of unethical behaviors, and that top management's efforts to curb such behaviors were actively resisted by salespeople well-endowed with social capital.

This research contributes to the sales literature in at least three meaningful ways. First, to the best of our knowledge, this study is the first to offer a rich description or account of the evolution of a sales organization. Such a description offers insight into the structures that characterize sales organizations at varying levels of organizational maturity, which is important for developing a full understanding of why certain sales organizations succeed and others fail (Martin, 2014). Second, the study offers insight as to why and when salespeople are likely to be proponents of or a force in opposition of change in sales organizations. In so doing, the study contributes to the broad literature on change management (e.g., Kragh & Andersen, 2009; Todnem, 2005) by identifying social capital as an important factor that may be both a driver of bottom-up change and a source of resistance to top-down changes in organizational structure. Finally, current research represents the first empirical exploration of two of event systems theory's key propositions, namely that: events can trigger organizational change over time, and that organizational change can be bottom-up (i.e., rooted in employee actions) and/or top-down (i.e., rooted in top management decisions) in nature.

The remainder of this manuscript is organized as follows. We begin with a brief review of the literature on sales organizations, with a particular emphasis on what determines their effectiveness. Next, we offer an overview of the theoretical lens that guides our work, and then proceed to provide an extensive description of the case study procedures and processes that were utilized to address the study's research questions. We then present the study's findings, and conclude with an extensive discussion of our study's contribution to theory and of the implications of our findings for practice.

1.1. Sales organizations

Sales organizations encompass the myriad of individuals that have primary responsibility for generating profitable sales volume within a firm (Grant & Cravens, 1999). To achieve this objective, sales organizations must continually evolve to ensure they are in a position to execute the market strategies of the firm while also being able to satisfy the needs of the customers they serve (LaForge, Ingram, & Cravens, 2009; Piercy & Lane, 2005). This need for internal and external alignment partly explains, for instance, why sales organizations have increasingly

abandoned structures that reward salespeople for executing transactions in favor of those that support strategic relationship management (Piercy & Lane, 2005).

The effectiveness of a sales organization is influenced both by the performance of individual salespeople and the characteristics of the sales organization itself (Baldauf & Cravens, 1999; Guenzi, Sajtos, & Troilo, 2016). While, initially, individual salesperson performance and sales organization effectiveness were treated as indistinguishable, research now acknowledges that the effectiveness of sales organizations is not only influenced by individual salesperson performance, but also by structural factors (e.g., control systems, territory design, processes) related to how salespeople are organized and managed (Babakus, Cravens, Grant, Ingram, & LaForge, 1996; Baldauf, Cravens, & Piercy, 2001).

In this study, we use the term structure to refer – in a broad sense – to the design of the sales organization, which includes factors such as sales processes, control systems, territory design, and the number of management layers that separate sales employees from the top management team. Of these structural determinants of sales organization effectiveness, control (e.g. behavior-versus outcome-based control) has perhaps been the object of the most empirical attention (e.g., Anderson & Oliver, 1987; Beswick & Cravens, 1977). For example, Cravens et al. (1993) found that a blend of behavior-based (e.g. field sales management) and outcome-based (e.g. compensation) control is not only common, but often critical for sales organization effectiveness. Divergent findings regarding the impact of control systems on sales organization effectiveness suggests, however, that finding a structure that works within any given sales organization is likely to be a trial and error process. That is, to succeed, sales organizations must experiment and adapt over time to find a structural arrangement that maximizes profits and efficiency (e.g. Anderson & Oliver, 1987; Baldauf & Cravens, 1999). Consequently, sales organizations generally evolve, intentionally or unintentionally, over their lifetime in pursuit of a structure that allows them to meet the challenges of the time.

Related research has also shown that organizational structure (operationalized as the extent of centralization versus decentralization of decision-making) impacts varied firm outcomes (Siggelkow & Levinthal, 2003). For instance, Kim, Sting, and Loch's (2014)'s study comparing centralized versus decentralized firms found that decentralized firms tend to encourage bottom-up organizational learning from the employees, while centralized firms maintain control at the top-management level, allowing for little to no flexibility in daily operations. In sum, past research suggests that the extent of centralization (relative to decentralization) acts as a control mechanism within firms. We now turn our attention to event systems theory, which provides the foundation necessary for understanding the structural evolution of sales organizations.

1.2. Theoretical foundation: Events as the drivers of change in sales organizations

Life is made up of events (Morgeson, Mitchell, & Liu, 2015), with day-to-day mundane events often punctuated with "distinctive, circumscribed, highly emotional and influential episodes" (Pillemer, 2001, p.123). Consequently, many scholars have noted the fallacy in exploring organizational change as a snapshot in time. To offer a theoretical foundation for exploring change within an organization over time, Morgeson et al. (2015) propose event systems theory. Event systems theory suggests that novel, disruptive, and/or critical events can be influential enough to produce change or variation over time in regards to subsequent events, ultimately driving structural organizational change and the formation of new norms within the organization. Events are "discrete and bounded in time and space…events can become "strong" enough to produce change or variability in behaviors or features and can lead to subsequent events" (Morgeson et al., 2015, p. 516). Events ultimately create or maintain organizational structure, which serves to shape how actors within an organization behave (Morgeson & Hofmann, 1999).