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Regaining control of salesforce

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ABSTRACT

This study develops a theory explaining how an employer can regain control over its salespeople. We posit that two forms of salesforce opportunism – shirking and influence activities – are the key sources of control loss. We theorize that an employer can regain control through a *selective* match of a formal control mechanism with a salesforce opportunistic behavior. We test our predictions using data from 304 South Korean automobile dealers. We found that greater output control *mitigates* control loss when it is matched with salespeople's shirking, whereas it *aggravates* control loss when it is matched with salespeople's influence activities. Conversely, greater behavior control *mitigates* control loss when it is matched with salespeople's influence activities, whereas it *aggravates* control loss when it is matched with salespeople's shirking. These findings support our theory of *discriminating* match between a formal control mechanism and a salesforce opportunistic behavior for regaining control.

1. Introduction

Aligning salespeople's actions with organizational goals is critical to the success of any sales organization (Cespedes, 2014). Despite the broad consensus on the importance of salesforce control, a discrepancy lingers on control of salesforce.[1] Academic researchers have focused on exercising control (Anderson & Oliver, 1987; Jaworski, 1988) or consciously delegating control (Carson, 2007; Ghosh, Dutta, & Stremersch, 2006) of salespeople (see Crosno & Brown, 2015 for a review). Despite great research attention paid to salesforce control, practitioners observe that their salespeople routinely shirk or influence employers' decisions to their advantage. A survey found 50% of surveyed employers discovered their sales reps working a second job on company time (Strout, 2001); and they often attempt to manipulate employer decisions (Nonis, Sager, & Kumar, 1996). Seventy-two percent of sales executives in another survey felt that such persistent opportunistic behaviors have been worsening (Strout, 2002). A more recent study reports little evidence that salesforce opportunism abated at all (Hansen & Riggle, 2009). Great research attention to salesforce control therefore appears to stop short of helping managers achieve control of salespeople. Why this gap?

Two streams of research are relevant for explaining the gap between great research attention to salesforce control and achievement of control. One research stream highlights the influence of formal controls on employees' opportunistic behavior (Ahearne, Rapp, Hughes, & Jindal, 2010; Grewal, Kumar, Mallapragada, & Saini, 2013; Ramaswami, 1996). Another research stream takes the opposite view by emphasizing the influence of actual or threat of employee opportunism on use of formal controls (Eisenhardt, 1985; Kreutzer, Walter, & Cardinal, 2015; Wathne & Heide, 2000).

Two limitations of prior research stand out. First, prior studies focused on deploying formal controls or curbing opportunism with an implicit assumption of achieving control. Neither research stream connected formal controls or opportunistic behaviors to control loss theoretically. *Control loss* refers to the extent to which an employer fails to secure employees' compliance with organizational goals. Research on control has been premised on exercising and gaining control, not losing control. At the same time, opportunistic behavior has been mainly associated with efficiency loss, not control loss. As a result, formal controls and opportunistic behaviors have rarely been theoretically tied together. Absent is a nuanced approach that a formal control may match or mismatch with an opportunistic behavior to influence control loss. Second, despite the recognition that opportunism has multiple types (Jap, Robertson, Rindfleisch, & Hamilton, 2013; Seggie, Griffith, & Jap, 2013), opportunism has been theorized as a monolithic concept. Absent is a more fine-grained approach that uncovers distinctive forms of salesforce opportunism.

Control loss is a serious issue for both sales researchers and practitioners. For researchers, it is imperative to understand what cause control loss of salesforce and how to mitigate it. For practitioners, an

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[1] We use "salespeople" and "salesforce" interchangeably throughout the manuscript.

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organization's sales performance is likely to suffer with control loss of salesforce. The employer may also incur opportunity costs of expending resources to regain control. Therefore, understanding how an employer can regain control is an important yet understudied research issue. We aim to address this knowledge gap through the following research question: *How does matching a formal control mechanism with salesforce opportunistic behavior reduce control loss of salespeople*?

For the employer side, we focus on two cardinal mechanisms of formal control: Output control and behavior control. We theorize that two formal control mechanisms are endowed with capacities to facilitate different types of alignment. Output control is for aligning *goals* and behavior control is for aligning *actions* between an employer and employees. For the employee side, we examine salesforce opportunism. Salesforce opportunism refers to salespeople's activities to further personal interests but detrimental to organizational goals (Anderson, 1988). We bifurcate salesforce opportunism into two distinctive types: Shirking and influence activities. *Shirking* refers to salespeople's evasion of obligations and withholding of effort (Brown, Dev, & Lee, 2000; Kashyap, Antia, & Frazier, 2012). Beyond shirking, opportunism is still observed within organizations where goal misalignment ought to be muted (Murtha, Challagalla, & Kohli, 2011). We propose influence activities as another form of opportunism that plagues salesforce control. *Influence activities* refer to salespeople's intentional acts to persuade employer decisions to their advantage (Milgrom & Roberts, 1988; Poppo, 1995).

Then, we theorize that it is a nuanced *interplay* of an employer's formal control with salespeople's opportunistic behavior that influences control loss. We predict that greater behavior control *mitigates* control loss when it is matched with salesforce influence activities, but it *aggravates* control loss when it is matched with salesforce shirking. Conversely, greater output control *mitigates* control loss when it is matched with salesforce shirking, but it *aggravates* control loss when it is matched with salesforce influence activities. Empirical tests using data on dealer-salespeople relationships from 304 automobile dealers support the proposed ideas. Our original contribution is a middle-range theory of how a discriminating match between formal controls and opportunistic behaviors affects control loss. Subsequent sections first develop these ideas (§2), followed by the method (§3), analysis and results (§4), and their theoretical implications (§5).

2. Theoretical development

Our forthcoming research model in Fig. 1 focuses on *control loss* (see Table 1 for construct definitions). It departs from prior marketing studies' focus on applying (Bello & Gilliland, 1997; Jaworski, Stathakopoulos, & Krishnan, 1993; Krafft, 1999) or delegating (Carson, 2007; Dutta, Bergen, & John, 1994; Ghosh et al., 2006) formal controls. Our research context is a dealership's control of its own salespeople. Therefore, we hereafter refer to an employer that develops and uses formal controls as a *dealer* and dealer salespeople who are recipients of formal controls as *salespeople*. Our conceptualization of control loss is based on two premises. First, salespeople are not passive recipients of control attempts as prior studies theorized. They engage in self-interested behaviors, notwithstanding formal control by the dealer. Second, salespeople's effective compliance requires aligning two components with those of the dealer: Goals and actions. Salespeople must agree on what they are supposed to achieve (i.e., aligning goals) and they must be willing to do it in the way the dealer desires (i.e., aligning actions) (Gulati, Wohlgezogen, & Zhelyazkov, 2012). Therefore, a dealer is likely to experience control loss if goals *or* actions are misaligned.

2.1. Theoretical foundations

Formal controls. We define formal control as the extent to which a dealer ensures that salespeople' actions advances organizational goals. We focus on formal controls in this study because they are most widely used forms of control for managing salesforce and formal controls are endogenous, meaning they are calculated choices a dealer can make (We control for potential effect of informal controls in the empirical test). Formal control is implemented through two mechanisms: Output control or behavior control. *Output control* rewards or penalizes salespeople for attaining predefined goals, without consideration of how they are achieved (Kreutzer et al., 2015). Output control therefore has an intrinsic capacity to align goals, but not actions, of salespeople with those of a dealer. *Behavior control* rewards or penalizes salespeople's compliance with prescribed rules and procedures, irrespective of their outcomes (Snell, 1992). Behavior control therefore has an intrinsic capacity to align actions, but not goals, of salespeople with those of a dealer (Snell, 1992).

Salesforce opportunism. Salespeople may engage in a different opportunistic behavior depending on its cause. We therefore bifurcate salesforce opportunism into two types: *Shirking* and *influence activities*. Salespeople are likely to shirk when their goals are not aligned with those of the dealer (Eisenhardt, 1989). Shirking penalizes sales performance by underutilizing salespeople's capacities to fulfill organizational goals. For example, a shirking salesperson may squander a sale by failing to make a prompt follow-up call promised to a potential customer.

Salespeople are likely to engage in *influence activities* when they disagree with a dealer about how to pursue organizational goals, leaving their actions misaligned with those of the dealer (Jaworski & Young, 1992; Murtha et al., 2011). Salespeople, who are employees of the dealer, cannot refuse the dealer's orders even if they disagree with the orders, but they may engage in influence activities to manipulate dealer decisions to their advantage. Examples of influence activities include distorting market information (Poppo, 1995), ingratiation (Du, Tang, & Young, 2012), and selective reporting (Jaworski & Young, 1992). Salespeople benefit from influence activities by manipulating a dealer to make suboptimal decisions that benefit salespeople but detrimental to organizational interests.[2]

Formal controls and salesforce opportunism. Two research streams in the marketing literature argue for an exactly opposite causal direction between formal controls and opportunistic behaviors. One research stream suggests that formal controls *cause* opportunistic behaviors (John, 1984; Ramaswami, 1996). A formal control may elicit not only desirable responses (e.g., compliance) but also unintended opportunistic behaviors (Heide, Wathne, & Rokkan, 2007). This research stream highlights negative consequences of formal control. Conversely, another research stream theorizes that the threat of opportunism drives the use of formal controls (Bergen, Dutta, & Walker, 1992). For example, salespeople's moral hazard is a key driver of formal control use (Gibbons, 2005).

The disagreement between these two streams stems from overlooking a theoretical nuance that our study fleshes out. Prior studies assume a unidirectional relationship between a formal control and an opportunistic behavior. In contrast, we theorize that formal controls and opportunistic behaviors interplay with each other. Distinctive alignment capacities of two formal controls and distinctive alignment needs of two opportunistic behaviors suggest that a dealer must match a formal control mechanism selectively with a salesforce opportunistic behavior. Our theorizing therefore focuses on explaining when an interplay between a formal control mechanism and a salesforce opportunistic behavior would mitigate or aggravate control loss.

[2] We chose to focus on shirking and influence activities among multiple dysfunctional behaviors for the following reasons. We examine shirking because it is most widely studied form of dysfunctional behavior and it captures salesforce dysfunctional behavior due to *conflicting goals*. We chose to examine influence activities because it is a common form of dysfunctional behavior in an intra-organizational setting (such as dealer – salesforce relationships) and it captures salesforce dysfunctional behavior due to *conflicting actions*.