



ELSEVIER

Intern. J. of Research in Marketing 21 (2004) 265–283

International Journal of

**Research in
Marketing**

www.elsevier.com/locate/ijresmar

Relative explanatory power of agency theory and transaction cost analysis in German salesforces

Manfred Krafft^a, Sönke Albers^{b,*}, Rajiv Lal^c

^aWestfälische Wilhelms-Universität Münster, 48143 Münster, Germany

^bChristian-Albrechts-Universität zu Kiel, 24098 Kiel, Germany

^cHarvard Business School, Boston, MA 02163, USA

Received 19 June 1998; received in revised form 29 August 2003; accepted 5 November 2003

Abstract

In this paper, we take an integrated view of Transaction Cost Analysis (TCA) and Agency Theory (AT) in order to study the direct salesforce vs. rep decision and the design of compensation plans in German salesforces. We test, with a single data set, a set of established and new hypotheses of both theories in the context of both decisions. This allows us to assess the complementarity of AT and TCA by estimating the relative explanatory power of the two frameworks for each of the two decisions. On the one hand, we find support for most of the established hypotheses. However, the hypothesized effect of uncertainty is rejected in our data set. Moreover, we document the impact of some new variables. We also find that, while AT does not add much to explain the decision of direct vs. rep in our data, TCA is equally limiting in helping understand the design of salesforce compensation plans. Therefore, one has to be cautious in treating AT and TCA as complementary theories.

© 2004 Elsevier B.V. All rights reserved.

Keywords: Agency Theory; Transaction Cost Analysis; Salesforce compensation plans; Direct vs. reps; Germany

1. Introduction

The benefits of effectively managing a salesforce have never been greater. For almost all firms, sales is the only revenue-generating part of the organization, while everything else is a cost center. Moreover, with the increasing emphasis on market orientation in

today's environment, the role of the salesforce has assumed greater importance. However, the costs of using a direct salesforce are escalating by the day, with the average cost of making a personal sales call ranging from \$250 to \$500 in the USA (Kotler, 2003, p. 638) and from 150 to 400 in Germany (Kienbaum Vergütungsberatung, 2002). Furthermore, firms in the USA spend over a trillion \$ annually on salesforces and salesforce materials (Kotler, 2003, p. 637). It is therefore imperative that this asset be used in the most effective and efficient manner.

* Corresponding author. Tel.: +49 431 8801541; fax: +49 431 8801166.

E-mail address: albers@bwl.uni-kiel.de (S. Albers).

An important aspect of managing a salesforce is related to its design. Depending on the tasks that need to be performed by the salesforce including prospecting, communicating, selling, servicing and information gathering, a firm needs to decide whether it should have a company salesforce (direct) or utilize independent sales representatives (reps). Furthermore, if a company decides to employ a direct salesforce, it needs to design the control and reward systems so as to achieve an optimal utilization of its salesforce's efforts.

By now, it is well recognized that a salesperson's performance depends not only on individual-specific factors, but also on the reward system used to motivate a salesforce (see Johnston & Marshall, 2003, p. 13). Hence, in the salesforce management literature many efforts have been made to study salesforce compensation plans (see Basu, Lal, Srinivasan, & Staelin, 1985; Coughlan & Narasimhan, 1992; Dearden & Lilien, 1990; John & Weitz, 1989; Joseph & Kalwani, 1995; Joseph & Thevaranjan, 1998; Lal, Outland, & Staelin, 1994; Lal & Srinivasan, 1993; Lal & Staelin, 1986; Raju & Srinivasan, 1996; Weinberg, 1975; Zhang & Mahajan, 1995). See also the reviews by Albers (1996, 2002), Coughlan (1993) and Coughlan and Sen (1989).

Two of the most popular theoretical frameworks used to study the decision of reps vs. company owned salesforce and design of compensation plans are Transaction Cost Analysis (TCA) and Agency Theory (AT). While researchers such as Anderson (1985) use TCA to study the choice between sales reps and direct salesforce, John and Weitz (1989) use TCA to study the design of compensation plans. On the other hand, Basu et al. (1985), Lal and Srinivasan (1993), Lal and Staelin (1986), Rao (1990), and Zhang and Mahajan (1995) apply Agency Theory to study the design of compensation plans.

In this paper, our primary objective is to compare the relative usefulness of Agency Theory and Transaction Cost Analysis in the context of each of these two decisions. Although these two frameworks appear to be complementary, our investigation is motivated by the fact that TCA was originally advanced to understand and study issues related to the boundaries of the firm (for example, make or buy decisions of a firm), while AT has been proposed to understand the contractual arrangements between a firm and its employees. This suggests that TCA should provide a

relatively better understanding of the direct vs. rep decision while AT may be more appealing in the context of compensation plans. However, if a common test of TCA- and AT-specific variables leads to the finding that *both* theories significantly explain the vertical integration as well as contractual issues, this would extend the usual set of variables applied in empirical investigations and those taken into consideration by managers.

Our secondary objective is to propose and test the validity of several new hypotheses related to the issues of vertical integration and design of compensation plans. As a side-effect, we also investigate the generalizability of the empirical findings reported in the literature to countries outside the USA. This is important, since it is known that different cultures favor different attitudes towards work, use different types of communication and operate in varying legal environments (Albers, Krafft, & Bielert 1998). We therefore investigate the usefulness of the above-mentioned theoretical frameworks in international contexts.

In the following, we briefly review in Section 2 the relevant literature on TCA and AT in the sales force compensation domain, and develop a set of hypotheses with respect to both the decision to employ a rep organization vs. direct salesforce and the structure of the compensation plan. In Section 3, we describe the operationalization of our measures and the research design of our integrated empirical study. Section 4 presents the empirical results of the explanation of the vertical integration decision, while Section 5 provides the results for the salary vs. incentives decision. Section 6 offers a comparison of the explanatory power of TCA and AT for the vertical integration and compensation design decisions. The article concludes with a summary and some suggested directions for future research.

2. Literature review and hypotheses development

2.1. Literature review

In this section, we briefly review the published TCA- and AT-based work on how to organize a salesforce (use a direct salesforce vs. reps) and design salesforce compensation plans (see Table 1).

متن کامل مقاله

دریافت فوری ←

ISIArticles

مرجع مقالات تخصصی ایران

- ✓ امکان دانلود نسخه تمام متن مقالات انگلیسی
- ✓ امکان دانلود نسخه ترجمه شده مقالات
- ✓ پذیرش سفارش ترجمه تخصصی
- ✓ امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
- ✓ امکان دانلود رایگان ۲ صفحه اول هر مقاله
- ✓ امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
- ✓ دانلود فوری مقاله پس از پرداخت آنلاین
- ✓ پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات