



## The moderating effect of control systems on the relationship between commission and salesperson intrinsic motivation in a customer oriented environment

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### ABSTRACT

Using a social psychology theory, Cognitive Evaluation Theory (CET), the authors show how commission compensation can be viewed as a sales performance contingent reward and the extent of its use to reward performance, coupled with a sales control system, impacts salesperson intrinsic motivation in a relationship selling environment. In essence, the sales control mechanisms modify the impact of the commission based on whether it is perceived as controlling or informative. This is empirically tested using a sample of business-to-business salespeople. Partial support for three hypothesized relationships is shown providing preliminary evidence that CET is a way to study the integration of commission compensation rewards, sales control systems, and motivational impact. Implications of the findings for theory and for managers are considered, along with suggested directions for future research.

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What are the most pressing issues facing sales managers today? Motivating and directing the salesperson to increase productive customer relationships while rewarding performance is likely to be at or near the top of the list. The number of articles in *Sales and Marketing Management* or *Selling Power* that address these issues substantiates this need (e.g., Anderson, 2005; Chang, 2005; Cramer, 1999; Wiley, 2007 to mention a few). Separately, motivation, customer relationship building, compensation, and sales control have a vast academic literature and theoretical basis that is well-established. So as sales academics, we should be able to synthesize these critical sales force management topics to better understand how they work together, right? The truth is, while we possess some limited knowledge about any one of the topics, we are far from being able to put them together to assist the practicing manager.

In an epic undertaking in the 25th anniversary issue of the *Journal of Personal Selling and Sales Management*, researchers came together to try to establish an agenda for future sales research (Brown & Jones, 2005). In addressing the area of motivation, control and compensation, Brown, Evans, Mantrala, and Challagalla (2005) call for these research topics to be better integrated. They point out that the disconnected literatures have remained, for the most part, separate. But, in today's dynamic selling environment, the challenge for a sales executive becomes how to design both control and compensation systems that impact salespeople's motivation in a way that channels

customer relationship building into increased sales productivity (Brown et al., 2005; Jones, Brown, Zoltners & Weitz, 2005).

Separately, there is a well-established body of literature supporting a correlation between customer relationship building and salesperson intrinsic motivation (Badovick, Hadaway, & Kaminski, 1993; Sujan, 1986; Tyagi, 1982; Walker, Churchill, & Ford, 1977; Weitz, Sujan, & Sujan, 1986), compensation and sales control systems (Cravens, Ingram, LaForge, & Young, 1993; Krafft, 1999; Oliver & Anderson, 1994) and between sales control systems and motivation (e.g., Baldauf & Cravens, 2003; Oliver & Anderson, 1994). However, yet to be researched is how compensation and sales control systems work together to impact salesperson intrinsic motivation especially when customer relationship building is the goal. There is, however, theory and evidence outside of the selling domain suggesting that the types of rewards and how these rewards are viewed have a significant impact on intrinsic motivation.

Cognitive Evaluation Theory—CET (Deci, 1972, 1980; Deci & Ryan, 1985) supports the notion that intrinsic motivation may be impacted depending on how an individual perceives a reward as either a controller of behavior or as an informational indicator of competence. Pullins (2001) conceptually applied CET to the sales domain by addressing the types of salesperson compensation and its expected impact on intrinsic motivation. Via a qualitative study, she developed a set of propositions suggesting a link between the salesperson reward system (i.e., compensation), feedback mechanism (i.e., managerial controls), and salesperson intrinsic motivation. Although yet to be empirically tested in the sales force domain, this work begins to address the synthesis of customer relationship building, sales compensation, control, and intrinsic motivation that the sales academic community is calling for. The purpose of our article is to

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answer this call (Brown et al., 2005) and bring together these diverse literature bases into one integrated perspective. In addition, we offer some initial empirical evidence that the individual components could work together. We do this by extending the work of Pullins (2001) to show that in a relationship selling environment, commission compensation represents a performance contingent reward for a salesperson. Sales control systems then focus salespersons' perceptions of the reward as controlling or informative. It is the perceptions of the rewards that ultimately impact intrinsic motivation. We then present a limited empirical test using data collected from business-to-business salespeople for the relationships we propose. The results enable us to speculate how CET theory may be extended to the sales force domain to better understand how rewards, control systems, and motivation work together. Finally, implications of the findings for managers to consider along with suggestions for advancement of theory and research are offered.

## 1. Relevant literature

Since our investigation involves salespeople operating within a relationship selling environment, we begin by reviewing the importance of a salesperson's relationship orientation to intrinsic motivation. Next, we discuss a framework for understanding how compensation can be viewed according to the type of reward it provides, and thus how this can impact intrinsic motivation. Then we will consider sales control systems, how they relate to intrinsic motivation, and how they may combine with rewards to moderate (or alter) the effect on intrinsic motivation. Once we have reviewed the literatures that we are attempting to integrate, we develop three hypotheses that will be tested to support this research.

### 1.1. Intrinsic motivation and relationship orientation

Motivation is a salesperson characteristic shown to be a key antecedent to selling performance (Churchill, Ford, Hartley, & Walker, 1985; Walker et al., 1977). One type of motivation, intrinsic, suggests that an individual will be driven to put forth effort on a given task(s) based on the notion that he/she views the performance contingent rewards associated with the task(s) to be intrinsically appealing (Tyagi, 1982; Vroom, 1964). Examples of such intrinsic rewards include pride, sense of accomplishment, satisfaction, and enjoyment (Tyagi, 1982; Weitz, Castleberry, & Tanner, 2000). Thus, the intrinsically motivated salesperson values things such as personal achievement and success as well as selling for the mere challenge and feeling of performing a useful service (Oliver & Anderson, 1994). Since intrinsic motivation results in a series of moods and abilities that are consistent with relationship building, (e.g., Badovick et al., 1993; Weitz et al., 1986), there is evidence to suggest that intrinsic motivation is consistent with successful performance in today's customer oriented selling environment (Pullins, 2001). Support for this notion can be found outside as well as within the domain of sales.

Social psychologists have found that the role of intrinsic motivation is positively related to adult relational behaviors and positive relationship outcomes (e.g., Blais, Sabourin, Boucher, & Vallerand, 1990; Remple, Holmes & Zanna, 1985). In sales, such behaviors are associated with a relationship oriented selling approach (Dubinsky & Hartley, 1986; Grewal & Sharma, 1991; Harris, Mowen, & Brown, 2005; Pettijohn, Pettijohn, & Parker, 1997) that include: active listening, adaptive selling, needs identification, teamwork, problem solving, sales planning, and sales support activities (Geok & Hsueh, 2003; Piercy, Cravens, & Morgan, 1998; Roman, Ruiz, & Munuera, 2005). Relationship oriented selling has been advocated over the past two decades and has been commonly referred to as customer-oriented selling (Saxe & Weitz, 1982). Similar to the definition of customer oriented selling, we define relationship oriented selling as the selling activities and strategies directed toward providing customer satisfac-

tion and establishing mutually beneficial long-term customer relationships. Although much has been done since its introduction in the way of (customer oriented selling) scale development, validation, and revision (Saxe & Weitz, 1982; Thomas, Soutar, & Ryan, 2001) little is known about the factors that affect a salesperson's predisposition to engage in such relationship selling behaviors.

Relationship orientation is important in business-to-business sales since success in modern day selling has been linked to the development of productive buyer–seller relationships (Badovick et al., 1993; Sujan, 1986; Weitz et al., 1986). In this relationship selling environment, salespeople are compensated using a mix of commission and salary (Galea, 2005) to reward the generation of sales outputs (units, revenue, profitability, etc.) as well as behaviors required to build long-term customer relationships (needs identification, solution oriented proposals, service after the sale, etc.). The importance of a relationship orientation requires an understanding of how the reward system impacts a salesperson's motivation to develop these critical customer relationships.

### 1.2. Compensation and intrinsic motivation

A useful theory for understanding the linkage between rewards and motivation is the framework of Cognitive Evaluation Theory (CET) developed by Deci (1972, 1980) and Deci and Ryan (1985). CET provides a theory of intrinsic motivation based on an individual's need for autonomy and competence, so the effect of a reward depends on how it impacts perceived self-determination and perceived competence. According to CET, the recipient can interpret a reward as either a controller of behavior or an informational indicator of competence, thus having differential effects on intrinsic motivation. This theory is conceptually applied to the area of salesperson compensation by Pullins (2001). Pullins considered the question of how compensation structure impacts sales strategy (for example, long-term relationship building and customer retention), via intrinsic motivation as defined by Deci and Ryan (1985).

The social psychologists have looked extensively at the impact of rewards, like compensation, on intrinsic motivation (e.g., Deci & Ryan, 1985). One reward type that is particularly applicable in the sales force domain is *performance contingent* (Deci, 1972, 1980; Deci & Ryan, 1985). A performance contingent reward is given for attainment of some specified level of performance (e.g., sales units, revenue, sales proposals, customer satisfaction, etc.). Seeing that a salesperson's total compensation is partially tied to commissions paid for achieving stated sales goals (Galea, 2005), motivating salespeople toward attainment of this type of reward is of particular interest to sales managers. The impact of performance contingent rewards on intrinsic motivation depends on how the rewards are perceived by the recipient. Those rewards perceived as *controlling* behaviors have a negative impact on intrinsic motivation (Jordan, 1986); while those that offer up *informational feedback* may positively effect intrinsic motivation (Ryan, Mims & Koestner, 1983). Ryan et al. (1983) found that if they gave a performance contingent reward and highlighted controlling aspects, it hurt intrinsic motivation. However, if informational components were highlighted, intrinsic motivation was increased. Swann and Puttman (1977) found that providing positive feedback about performance could offset the negative effects of a reward. Pullins (2001) noted that sales commission is performance contingent because the reward is salient and expected when a specific result is achieved.

Pullins (2001) combined the CET theoretical base with a qualitative study of sales managers to develop a series of propositions related to salary and commission and relationship development with customers. Included in these propositions was the idea that commission that is perceived as controlling would decrease salesperson intrinsic motivation, while commission perceived as informative would increase salesperson intrinsic motivation. She does not, however, propose any

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