

Formal and informal management control combinations in sales organizations

The impact on salesperson consequences

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Received 12 November 2001; accepted 28 March 2002

Abstract

Selecting an effective form of management control in sales organizations is important in achieving favorable salesperson consequences. We examine an alternative perspective to behavior-based management control in sales organizations. The conceptualization consisting of high, bureaucratic, clan, and low management control combinations is examined as a framework for management control research in sales organizations. In this study, hypotheses are developed concerning various salesperson consequences of the control combinations. The hypotheses are tested using a sample of 1042 salespeople from a broad range of industries and companies. The findings suggest that salespeople who work under a more visible control system (high control) perform better, are more satisfied, and display lower burnout and role stress, compared to salespeople working under bureaucratic, clan, and low control combinations. The managerial implications are discussed and several future research directions are proposed.

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Keywords: Sales management control; Salesperson control consequences

1. Introduction

Research on high-performance sales organizations conducted in several countries by Learning International indicates that sales managers are concerned with team and customer relationship building activities (process control) of salespeople as well as their sales results (output control) (Corcoran et al., 1995). The study findings highlight the important role of an effective sales manager in achieving good rapport with the sales team and encouraging open communications, collaboration, creativity, initiative, and necessary risk taking. Management control provides the basis for performing this role.

Management control in an organizational context involves the efforts of managers to influence the behavior and activ-

ities of sales and marketing personnel for the purpose of achieving organizational objectives (Anderson and Oliver, 1987; Jaworski, 1988; Jaworski et al., 1993). Jaworski (1988) conceptualizes two broad classes of control. *Formal* control consists of high levels of output and process control, whereas *informal* control includes high levels of professional and cultural control. The formal and informal control constructs offer a compelling conceptual logic for examining management control in sales organizations.

Jaworski et al. (1993, p. 58) indicate “both formal and informal controls can be in place at the same time.” In their study of marketing managers, they propose four specific control combinations (high, bureaucratic, clan, and low) based on different levels of output, process, professional, and cultural control. A major advantage of the control combination conceptualization is the opportunity to examine how configurations of organizational variables relate to individual salesperson consequences (Singh et al., 1996).

Undeniably, a critical facet of marketing management decision making is managerial control of the salesforce.

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Yet, comparatively little work (and especially little programmatic research) has been done specific to understanding the mechanisms of effective salesforce control. The literature documents a variety of unique aspects of selling jobs and the management of such jobs versus other professions (cf. Cespedes, 1996; Moncrief, 1986). Our study provides results that are applicable and actionable in the context of sales management control, yet may also be directly compared to results obtained in prior marketing control research.

We investigate the impact of the high, bureaucratic, clan, and low control combinations on salesperson consequences. The intent is to build on the Jaworski et al. (1993) conceptual framework by extending the research focus to sales organizations, developing a stronger conceptual logic, and examining a more extensive set of salesperson consequences.

2. Conceptual foundations and research hypotheses

2.1. Salesperson management control conceptualization

The Jaworski et al. (1993) conceptualization of control combinations for marketing positions provides the supporting logic for our sales management control conceptualization. Sales management control is defined as the extent of output, process, professional, and cultural control exercised by the organization. Four control combinations are examined:

Extent of control: high (H) to low (L)

| Control combination | Output | Process | Professional | Cultural |
|---------------------|--------|---------|--------------|----------|
| High | H | H | H | H |
| Bureaucratic | H | H | L | L |
| Clan | L | L | H | H |
| Low | L | L | L | L |

Output control occurs as a result of setting performance standards that are monitored and evaluated (Jaworski et al., 1993). *Process control* occurs when managers seek to influence the activities considered important in achieving desired results. This form of management control is present in many companies pursuing customer-relationship management initiatives (e.g., prescription drug sales). *Professional control* is concerned with encouraging cooperation and information sharing among salespeople. Professional control is likely to be active in organizations like IBM that pursue team selling initiatives. *Cultural control* refers to “the pattern of shared values and beliefs that guide norms of behavior within the organization” (Jaworski et al., 1993, p. 58). This form of control is related to the organizational environment rather than the specific actions of sales managers.

2.2. Proposed effects of management control combinations

There is limited prior conceptual support for the effects of the four control combinations on salesperson consequences. Jaworski et al. (1993) offer no conceptual support for the high and low control combinations; they indicate that high control is not proposed in the control literature and that low control is not addressed in prior management control research. We propose that high control will be associated with the most favorable salesperson consequences (e.g., higher performance), and reduced unfavorable consequences (e.g., turnover) as compared to bureaucratic, clan, and low control combinations.

Many salespeople prefer formal (output and process) control because they receive feedback from managers concerning their job outputs and activities. Formal control is more feasible when salary rather than incentives is a substantial portion of total compensation. This is evidenced by the wide range of companies that compensate their salespeople with salary comprising a high percentage of total compensation (Cravens et al., 1992). These organizations place more emphasis on longer-term results. High levels of informal (professional and cultural) control are expected to reinforce high levels of formal control.

The high control combination is consistent with an organization’s intent to monitor, direct, and evaluate its salespeople’s activities and results. High levels of formal and informal control correspond to the management processes of organizations selling business-to-business products that compensate salespeople with a primarily fixed salary. Both formal and informal control as defined by Jaworski et al. (1993) are more collaborative than command-and-control forms of management. Managers’ positive and supportive efforts concerning output, process, professional, and cultural control are expected to counter the development of negative salesperson consequences (e.g., turnover). A combination of high levels of formal and informal control should provide salespeople with needed information to perform their jobs adequately, and thus eliminate incompatibilities in communicated expectations.

Michaels et al. (1988) propose and provide empirical support that a salesperson’s organizational commitment increases with higher levels of formalization in the salesforce. They offer a supporting logic that more direct management guidance may be beneficial for boundary-spanning sales professionals. Churchill et al. (1976) also offer support that salespeople display dissatisfaction toward their managers when they do not provide enough direction to salespeople. Informal management control should also encourage organizational commitment through the setting and monitoring of work unit standards and the pattern of shared values and beliefs present in the organizational environment. Futrell et al. (1976) conceptualize a positive relationship between a management-control system with high clarity (i.e., a formal, well-specified system), and salesperson performance. Both the formal and

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