

**SALES FORCE EFFECTIVENESS:
THE ROLE OF MARKET-ORIENTATION AND SALES FORCE AUTONOMY**

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Abstract

We present a conceptual model of sales force effectiveness. The model explains the effects on and of market-orientation and sales force autonomy as the central factors in our model. We develop six propositions and discuss the findings of eight case studies of Australian pharmaceutical companies.

Sales Force Effectiveness

The pressures of competition in business environments continue to impact on sales forces in a number of ways, the most visible being a continuing demand for increased sales force effectiveness. This is amplified by the various constraints on organizational resources that necessitate close examination of expenditure on key cost centres, with one of the most significant being sales forces in many organizations. In addition to cost constraints, there are changes in the competitive landscape in which sales forces operate that include the acceleration of competition and increasing expectations of customers.

It is a disconcerting fact that many, if not most, businesses struggle to enhance the effectiveness of their sales forces. For instance, our study of sales management practices in Australian healthcare companies revealed that sales managers believe their sales forces are not as effective as they could be. Given the shortcomings in managing sales force effectiveness, we need to understand what practices can enhance the effectiveness of sales forces. The goal of this paper is to provide such insights. More specifically, this study aims to enhance our understanding of the processes driving sales force effectiveness and develop sound managerial guidelines to improve sales management practices in order to enhance the probability of managing effective sales forces that facilitate the achievement of objectives. This constitutes a contribution of practical relevance, as the careful adoption of these guidelines may help organizations achieve their objectives.

Existing Literature on Sales Force Effectiveness

There has been an increase in research and theorizing about sales management aspects in both the marketing and sales management literature. The aspects which have been addressed are diverse and not integrated in a comprehensive framework. For example, Sohi, Smith and Ford (1996) examined the influences of centralization and formalization in sales forces; Sengupta, Krapfel and Pusateri (2000) have demonstrated a direct positive relationship between intrapreneurial ability and perceived sales force effectiveness; whereas, authors such as Saxe and Weitz (1982) and Kelly (1992) have identified support for a link between customer-orientated selling and sales performance, others such as Hunt, Chonko and Winter (1985) investigated aspects including commitment and autonomy.

Although the various contributions provide important insights to understand better the factors that drive sales force effectiveness, they emphasize different conceptual building blocks. While the aspects of market-orientation and some autonomy-related aspects have been discussed, their impacts have not been explained in an integrated manner. Hence, developing a comprehensive framework would address this gap. Moreover, the need for further research in this area is supported by both academics and practitioners as reported by Marshall and Michaels (2001).

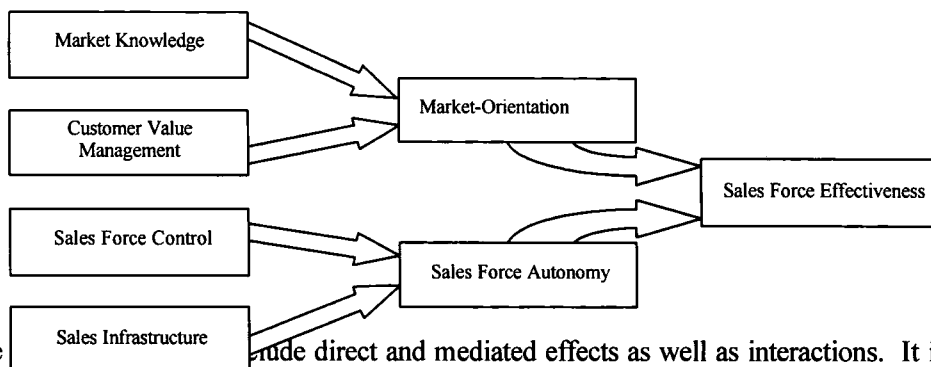
Methodology

We have carried out an exploratory study in eight Australian pharmaceutical companies to identify those factors believed to impact sales force effectiveness. These insights have been complemented by an extensive literature review to develop our model. The proposed model has then been examined using eight in-depth case studies in these companies. Our case studies involved an in-depth analysis using a combination of company self- and interviewer rating scales. The case studies involved 96 face-to-face interviews by 2 researchers with 48 senior managers in sales management, HR, IT, market research and executive management. Further data was obtained with standardized self-completion questions being emailed back to the two researchers. Supplementary information was also included from company reports, policy documents and other documentation.

A Model of Sales Force Effectiveness

The basis of the model developed in this paper [Figure 1] is that we identify *Market-Orientation* and *Sales Force Autonomy* as the two conceptual building blocks that influence the effectiveness of managing sales forces. *Market-Orientation*, in turn, is driven by *Market Knowledge* and the *Customer Value Management* process within the sales force. Moreover, *Sales Force Autonomy* is affected by the following two factors: the *Sales Force Control* and *Sales Infrastructure*.

Figure 1: Sales Force Effectiveness Framework



The model includes direct and mediated effects as well as interactions. It is the latter kind of effects—such as the interaction effect of *Market-Orientation* and *Sales Force Autonomy*—that demonstrate the need to examine such influences simultaneously. By highlighting such effects in a comprehensive fashion, it is possible to delineate the distinct drivers of *Sales Force Effectiveness*. The aim of this paper is to investigate propositions according to this new model. To be more specific, the intention is to explore and examine the drivers of *Sales Force Effectiveness* in order to determine the differential extent to which particular factors impact upon the effectiveness of sales forces.

Market-Orientation, Customer-Value-Management and Market Knowledge

There are numerous interpretations of market orientation. For example, Kohli and Jaworski (1990) define market orientation as the organization-wide usage of market intelligence pertaining to current and future customer needs. Moreover, authors such as Day (1994) and Deshpande, Farley, and Webster (1993) view market orientation as an aspect of organizational culture. While these perspectives are not identical, their common core is accounted for in Baker and Sinkula's definition (1999) in which it market orientation is viewed as the underlying impetus for using and actual application of market knowledge in the strategic process. In this paper we adopt the above view. We adapt Slater's (1997) perspective of customer value process-focused organization to conceptualize customer value management in our framework. We define customer value management as developing and employing structures and processes that direct an organization's activities towards creating customer value. Authors such as Kohli and Jaworski (1990), Narver and Slater (1990) and Day (1994) imply but do not explicitly show that customer value management is an input for carrying out an effective marketing oriented strategic process. Hence, we specify the following proposition.

***P1:** Customer value management leads to greater market-orientation.*

Based on Li and Calantone (1998) we define market knowledge as organized and structured information about the market including components of customer- and competitor-related insights. Here, organized means it is the consequence of systematic processing, and structured implies that it is endowed with useful meaning. Similar to the linkage between customer value management and market-orientation, the above authors imply but do not explicitly show that market knowledge is an input for carrying out an effective marketing oriented strategic process. This leads to our next proposition.

***P2:** Market knowledge leads to greater market-orientation.*

Here, we have discussed the inputs to market-orientation. Propositions 1 and 2 outline that market knowledge and customer value management influence market-orientation.

Sales Force Autonomy, Sales Force Control and Sales Infrastructure

We adapt Breaugh's (1985) perspective of job autonomy and define sales force autonomy as the freedom to select one's own sales activities. Moreover, authors such as Oliver and Anderson (1994) and Cravens et al. (1993) have addressed various sales force control aspects. One of the key findings is that most firms use hybrid forms of sales force control that include outcome- and behaviour-based elements simultaneously, while varying the degree of sales force control. The emphasis placed on control, using behavior-based systems in particular, influences the extent to which sales forces can choose their own sales activities individually. More specifically, tighter control of sales force activities leads to greater inflexibility of sales activities. We summarize our discussion in the following proposition.

***P3:** Greater sales force control reduces sales force autonomy.*

Preliminary interviews with several sales managers in the pharmaceutical companies revealed that the organization's sales infrastructure influences sales force autonomy. Adapting Sveiby's (1997) concept of "internal structure" we define sales infrastructure as the support structures that facilitate the selling process (i.e., customer and sales oriented accounting systems). Our preliminary findings suggested that organizations which provide a sales infrastructure which allows individual sales people to make their decisions independently reduce both dependency and inflexibility of them. We therefore derive the following proposition.

P4: *Better sales infrastructure enables greater sales force autonomy.*

The above discussion outlines the inputs to sales force autonomy. Propositions 3 and 4 summarize that sales force control and sales infrastructure affect sales force autonomy.

Integration of Market-Orientation and Sales Force Autonomy Aspects

Based on Brown and Peterson's meta-analysis (1993), we define sales force effectiveness as including both subjective and objective components such sales volume and revenue, and managerial evaluations of sales force effectiveness. We conceptualize market-orientation and sales force autonomy as impacting upon the management of sales force effectiveness. These influences are implied by authors including Kohli and Jaworsky (1990) and Spiro and Weitz (1990). Propositions 5 and 6 summarize these relationships.

P5: *Increasing market-orientation has a positive impact on sales force effectiveness.*

P6: *Enhancing sales force autonomy has a positive effect on sales force effectiveness.*

In the last section we have explained the integration of the building blocks proposed in our framework. We have concluded this section with propositions 5 and 6 suggesting that both market-orientation and sales force autonomy influence sales force effectiveness.

Findings of Case Studies

While most of the relationships proposed in our framework found support in our in-depth analysis of the eight pharmaceutical companies, we found only partial support for some relationships [Sophisticated statistical analyses were not possible given the nature of the study. A reasonably simple stage-by-stage examination has been carried out to investigate the relationships.]. A short discussion of our findings is reported below.

We found strong support for Proposition 1 in general. For example, in one of our cases, it was very clear that high levels of market knowledge combined with high levels of customer value based management resulted in a strong market orientation which in turn translated into higher levels of effectiveness. In a similar fashion, we found the opposite where low levels of our antecedent factors were clearly linked to low levels of market-orientation and sales force effectiveness. The findings were consistent across all eight case studies. Hence, we found support for propositions 1, 2 and 5.

Our analysis provided some mixed support for the impact of sales force control on sales force autonomy. Our findings showed that some dimensions of those constructs were not as clear as

those initially proposed, for example where the level of control exerted on inexperienced sales staff resulted in an increased perceived autonomy. Therefore we have only partial support for P3.

Notable sales force infrastructure observed in the case studies included stronger support of remote workers with communication and office support services, dedicated field training and technical support staff; support of vacant territories with permanently “roving” staff and use of pre-approved communications to customers for remote staff. We found these findings to support P4.

The relationship between sales force autonomy and effectiveness was positive in all companies with one regarding autonomy as a particular competitive advantage. The general strategic objective of companies studied had evolved from a mass customization approach to offering individually customized disease management solutions to target customers, encouraging tailoring of these communications to occur at sales force contact points. These findings support Proposition 6.

In summary, our exploratory case study analysis provides mixed support for our proposed framework. In particular, the impact of sales force control is not clear.

Conclusions

In this paper we have presented a framework which outlines the factors affecting the management of sales force effectiveness. Our framework integrates the aspects related to market-orientation and sales force autonomy, and hence provides a more explicit and comprehensive conceptualization of the factors explaining sales force effectiveness. While the strength of this framework is the parsimonious structure, in this paper we purposefully have not discussed additional antecedent factors of the model inputs. Moreover, given the length of the paper we have neglected discussing any interaction effects of the factors in our model.

Our case study findings support the overall structure of our model with some limitations. The next step is to empirically and quantitatively examine our propositions in a variety of contexts carrying out a comprehensive survey. This is the focus of our continuing work.

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