

T H E A L L I A N C E



Alliance Center
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**Leading the Effective Sales Force:
The Asian Sales Force Management
Environment**

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LEADING THE EFFECTIVE SALES FORCE:
The Asian Sales Force Management Environment

Study

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The Alliance Center for Global Research and Development funded a study of how to adapt *to the Asian environment* the material used for the Alliance Open Enrollment Executive Education course, “Leading the Effective Sales Force.”

Prepared by Cheon Kheong Tan under the supervision of Professor Erin Anderson (INSEAD) and Professor Leonard M. Lodish (Wharton), the present document represents the written output of that effort: it is a discussion based on scholarly research articles and trade press, with topics covered including the performance drivers, control systems, direct selling in Asia, often-overlooked gender issues, and sales force automation.

An appendix providing help in pronouncing Asian names is also here attached.

Professors Anderson and Lodish used this material to launch the first “LESF” on the INSEAD Asia campus in Singapore in November 2005.

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The Asian Sales Force Management Environment**

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INTRODUCTION

The Alliance Center for Global Research and Development funded a study of how to adapt *to the Asian environment* the material used for the Alliance Open Enrollment Executive Education course “Leading the Effective Sales Force.”

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CHAPTER 1: OVERVIEW AND OTHER USEFUL INFORMATION

I. Introduction

- In this document, various issues that are relevant to sales force management in Asia are discussed. These include the importance of cultural sensitivity and relationships in sales force management in Asia; outsourcing; sales compensation; and high-tech sales training

II. Why do we need to better understand sales force management in Asia?

- New Asian markets such as China and India have opened up. Trade agreements between Western and Asian countries have made it easier for the products and services of Western companies to penetrate Asian markets, and vice versa. Going forward, Asian markets are expected to increasingly contribute to the growth of many Western and non-Western firms. But Asia is culturally different from the West.

III. Cultural differences need to be addressed

- Asia comprises of countries like Japan and Korea that are culturally homogeneous, as well as culturally heterogeneous markets like India, which has between 300 and 1,000 dialects and subcultures (Hill and Birdseye, 1989).
- Cultural differences pose problems for Western companies that manage a sales force in Asia. These differences exist in areas such as selecting, training, and motivating salespeople. Hence, it is necessary for Western managers to have a good understanding of such cultural differences.
- An example on the importance of cultural sensitivity and cross-cultural training:

The importance of cultural sensitivity and cross-cultural training

Steve Waterhouse's training firm, Scarborough-based Waterhouse Group, had been courting a Japanese meeting planning company for six months. In August 2000, Steve finally had an opportunity to meet with the company's representative to discuss the services her company might buy from Waterhouse.

At the beginning of the meeting, the company's representative handed her business card to Steve in the traditional Japanese way, bowing slightly, extending the card while holding onto both corners. Steve took the card and scribbled a note on the back of it. He looked up to find that his potential customer was aghast. Although he quickly put the card away and apologized profusely, the damage was already done. He did not make the sale. The incident was a US\$100,000 mistake.

Steve learned a valuable lesson from the episode: Selling overseas (or to foreigners visiting the USA) demands cultural sensitivity. In Japan, that means showing a business card the same respect one would show a person.

Source: Adapted from Cummings, Betsy (2001); "Selling around the world", *Sales & Marketing Management*, May, p. 70.

- Other characteristics of the Japanese business culture:
 - In contrast to the USA's individualistic-oriented culture, Japan has a group-oriented culture.
 - ◀ In general, American employees adopt an individualistic orientation towards work – they put their self-interest ahead of the firm's.
 - ◀ On the other hand, Japanese employees adopt a group orientation towards work - they direct their efforts at attaining group instead of individual goals.
 - In Japan, negative feedback should be given to staff on a one-to-one basis, i.e. not in the presence of other members of the sales team.
 - Japan has a culture known for keeping women in the background. In Japan, drinking and dining events are a significant part of doing business, and more work may actually get done after office hours. At business dinners, the Japanese may be reluctant to include saleswomen in business conversations. Moreover, there is no social stigma to being publicly intoxicated in Japan. The liberal consumption of alcoholic beverages is an accepted way to relieve personal and professional tensions, break down protective walls and establish trust (Lewin and Johnston, 1997).

Managerial implications:

- Firms need to prepare their sales managers and salespeople (particularly women), who will be sent to Japan for assignments, in terms of knowledge of the Japanese culture.
- If a firm decides to send a saleswoman to a country with a norm for gender bias such as Japan, it can improve the chances for success by forewarning its clients that it will be represented by a woman. A female representative should be introduced on the basis of her qualifications and her authority to act on behalf of the company. Status and social roles are therefore predetermined and more clearly understood. Initial respect may stem from showing respect for the firm that the saleswoman represents (Lewin and Johnston, 1997).

IV. Family relocation preparation

- Before companies relocate salespeople and their families to countries with a culture unfamiliar to them, companies need to prepare the salespeople's families for the relocation by providing pre-departure cultural training, so that expectations of the family members will be realistic.
- Such cultural preparation is in addition to financial support, helping the salesperson's spouse find a job or finding schools for his children. It is important due to the cultural differences between the East and the West.
- Family-related issues have to be addressed so that salespeople will be more willing to take up foreign assignments or will not be distracted by such issues.

V. Importance of relationship in international sales force management

- In a discussion of international sales force management, Lewin and Johnston (1997) has pointed out that:

- The combination of diverse languages, dissimilar cultural heritages and remote geographic locations can create strong barriers to building and maintaining effective buyer-seller relationships.
- Non-verbal cues, product origin biases, sales force nationality issues and differences in inter-cultural negotiation styles add even more complexity to the international sales environment.
- When a firm sells its products in international markets by using third-party marketing intermediaries instead of developing a company-owned international sales force, relatively impersonal business-to-business relationships, common in the USA, are often far less effective in other countries where personal participative types of relationships are expected (see Table 1.1), for building relationships with third-party marketing intermediaries.
- As we can see from Table 1.1, relationship plays a much more important role in buyer-seller interactions in Japan and China than in almost all the non-Asian markets tabulated, with Latin American being the only exception.
- Human relationships tend to be stronger in Asian countries than in the West, and Asian cultures place high value on strong relationships in business.

Table 1.1: Selected differences in buyer-seller relationship styles

International market	Relationship		Nature of interaction		
	Climate	Importance	Pace	Process	Decision making
<i>Asian</i>					
Japan	Formal, polite climate with many idiosyncratic nuances	Great importance. Long-term relationships are what matter most	Very slow with a lot of initial time spent on relationship building	First all general items are agreed upon, then details are discussed	A total group process with all levels involved in the final decision
China	Bureaucratic climate with an abundance of “red tape”	Very important. Traditional, cultural courtesies are expected	Very slow with a lot of initial time spent on relationship building	Discussions are long and repetitive. Agreements must be in writing	Usually a group process headed by a senior negotiator
<i>Non-Asian</i>					
USA	Sometimes viewed as an aggressive or confrontational climate	Of less importance. Focus is on achieving desired results	“Time is money”. Effort will be made to expedite the negotiations	Ordered process where each point is discussed in sequence	Can be either an individual or group decision process
Canada	Positive, polite climate. Hard sell will not work here	Of less importance. Focus is on achieving desired results	A little slower than in the USA	Ordered process where each point is discussed in sequence	Can be either an individual or group decision process

Latin America	Positive and hospitable climate	Personal, one-on-one relationships very important	Very relaxed, slow moving negotiation process	Relationship building through socialization will precede negotiations	Decisions are usually made by a high-level individual
United Kingdom	Traditional, polite climate. Hard sell will not work here	Of less importance. Focus is on achieving desired results	A little slower than in the USA	Ordered process where each point is discussed in sequence	Can be either an individual or group decision process
Germany/Austria	Rigid, sober climate	Low. Germans remain aloof until negotiations conclude	A little slower than in the USA	Systematic process with emphasis on contractual detail	Even the most routine decisions are made by top-level officials
France/French Belgium	Formal, bureaucratic climate. Hard sell will not work here	Formal, arms-length relationship with attention to etiquette	Slow-paced, deliberative process	French teams use argument to generate discussion	Usually a group process headed by a senior negotiator
Russia	Bureaucratic climate with an abundance of "red tape"	Low. Russians will remain reserved until negotiations conclude	Slow due to importance placed on detail	Cumbersome process due to bureaucratic constraints	Usually a group process headed by a senior negotiator

Source: Adapted from Lewin, Jeffrey E.; Johnston, Wesley J. (1997); "International salesforce management: A relationship perspective", *Journal of Business & Industrial Marketing*, Vol. 12, No. 3/4, pp. 236-252.

- Moreover, social class distinctions affect business relationships in some Asian countries.
 - The USA has a relatively simple social class system that is based on economic criteria (income, wealth, material possessions, etc.). Movement up and down the social order is by the accumulation of income and material possessions. But several other countries, most with longer social histories than the USA, base their social class distinctions on seniority criteria (Japan), hereditary criteria (India) or ethnic criteria (South America). In such societies, social distinctions are taken seriously and affect individual and group behavior in business (Hill and Birdseye, 1989). Managers have to take such a social practice into account in the recruitment and selection of salespeople in these markets.
- Importance of relationship in Chinese societies
 - Relationship plays an important role in business deals in China. In the existing literature, much has been written about the importance of *guanxi* (i.e. networks of personal connections and relationships) in business transactions in Chinese societies such as China.

- Guanxi

- ◀ *Guanxi* is a Chinese word used to describe the practice of exploiting networks of personal connections and relationships in order to secure preferential treatment (Bennett, 1999).
- ◀ *Guanxi* is a fundamental issue related to doing business in Chinese societies. One defining element of the Chinese business culture is the strong dependence on interpersonal trust, which is built up through a web of interpersonal connections and mutual obligations, or *guanxi*. As a cultural element, *guanxi* is important in many East Asian societies, including Japan, Korea, and Southeast Asia where there is substantial Chinese influence, as well as in Greater China, including Hong Kong (So and Speece, 2000).
- ◀ In *guanxi* systems, strong social relationships are a prerequisite to developing a close business relationship, and business takes on strong social elements (So and Speece, 2000).
- ◀ A *guanxi* network also involves the recognition and assumption of reciprocal obligations (*renqing*) with strong expectations that all favors will eventually be repaid (Bennett, 1999).
- ◀ However, the importance of *guanxi* in business transactions may vary across different Chinese societies. For instance, *guanxi* is likely to be less important in a country like Singapore where its people have more exposure to Western concepts of management, although the Chinese race constitutes 77 per cent of Singapore's resident population.

- The Bennett (1999) study

- ◀ Using data collected through a mail survey, Bennett (1999) examined the salesforce remuneration policies of a sample of foreign companies active – either through joint ventures (JVs) or wholly-owned subsidiaries – in China. The study focuses on the role played by close personal relationships (*guanxi*) and the use of networks of connections to expedite business transactions within China.
- ◀ A questionnaire was sent to 677 foreign companies across a variety of product sectors. The questionnaire was mailed to the “Head of Marketing (China)” at the registered domicile address of the subsidiary or joint venture (typically in the home country of the foreign partner).
- ◀ 111 completed questionnaires were received. 49 of the respondents were based in Hong Kong, 23 in the USA or Canada, and 17 in Western Europe. The rest of the respondents were located in Australasia, Singapore and a variety of other countries.
- ◀ On the average, the companies that responded had been operating in China for 8.3 years.
- ◀ The study has obtained the following findings for the sample:

The findings:

- (i) 72 per cent of the respondents reported that foreign rather than local managers assumed ultimate responsibility for critical decisions concerning the management of the local Chinese sales force.
- (ii) Through logistic regression analysis, the study has found that recognition of the importance of *guanxi* discourages the practice of rewarding salespeople mainly by commission payments. This finding underscores the idea that network integration, the banking and recall of favors, willingness to reply on network partners, and other *guanxi*-related characteristics can result in sales outcomes for which outcome-based reward systems might not be appropriate.
- (iii) Firms that recognize the critical importance of *guanxi* in sales force marketing within China tend to opt for behavior-based reward systems rather than outcome-based reward systems.
- (iv) Joint ventures in which the foreign partner is a firm from a Chinese commonwealth country (such as Hong Kong, Taiwan, Singapore and Macau) will incorporate *guanxi* considerations into their sales force management policies more than joint ventures with non-Chinese commonwealth partners.
- (v) The longer a foreign firm has been operating in China, the more likely it is to recognize the importance of *guanxi*. This may be because time is needed for a foreign business to learn about the role of *guanxi* and to build up networks.
- (vi) Foreign enterprises that recognize the importance of *guanxi* experience greater sales growth than others, based on the respondents' perceptions of the rates of growth of their sales relative to competitors' over the previous five years.

VI. Third-party distribution channels

- Lewin and Johnston (1997) has mentioned that:
 - Whether to use a company sales force, third-party marketing intermediaries or both often depends (to a large degree) on market size. Smaller markets, especially those in developing countries, may not require a company-owned sales force of any size.
 - In culturally diverse countries containing dozens of distinctive languages/dialects (e.g. India and Indonesia), it is difficult to effectively cover all market segments without developing an uneconomically large sales force. Such markets are more efficiently served through third-party marketing intermediaries.
- (A) Useful statistics on outsourcing in Asia
 - According to a recent survey of more than 2,000 key employment decision makers from multinational organizations in China, Hong Kong, Japan and Singapore conducted by Hudson Global Resources, which is a staffing, outsourcing and human capital solution provider (see Figure 1):
 - A significant proportion of companies in these economies have not outsourced any function in any aspect of their business: 55 per cent in China; 45 per cent in Hong Kong; 35 per cent in Japan; and 45 per cent in Singapore.

- For the remaining of the companies which have outsourced one or more functions, the most frequently outsourced function is: Human Resources (recruitment, compensation and benefits) in China; IT in Hong Kong; Administration/ Data Processing in Japan; and IT in Singapore.
- The findings give us an indication that outsourcing of the sales function is less frequent in these four Asian economies, compared to some other functions.
- For instance, the extent of sales force outsourcing in the Japanese pharmaceutical industry lacks behind the Western world. About 2 per cent of medical representatives in Japan work for outsourcing companies, compared with 15-30 per cent in the USA and Europe. Outsourcing companies provide salespeople-for-hire to drug companies when they need extra staff (say for a sales drive of a new drug) but do not want to hire permanent employees (Landers, 2002).

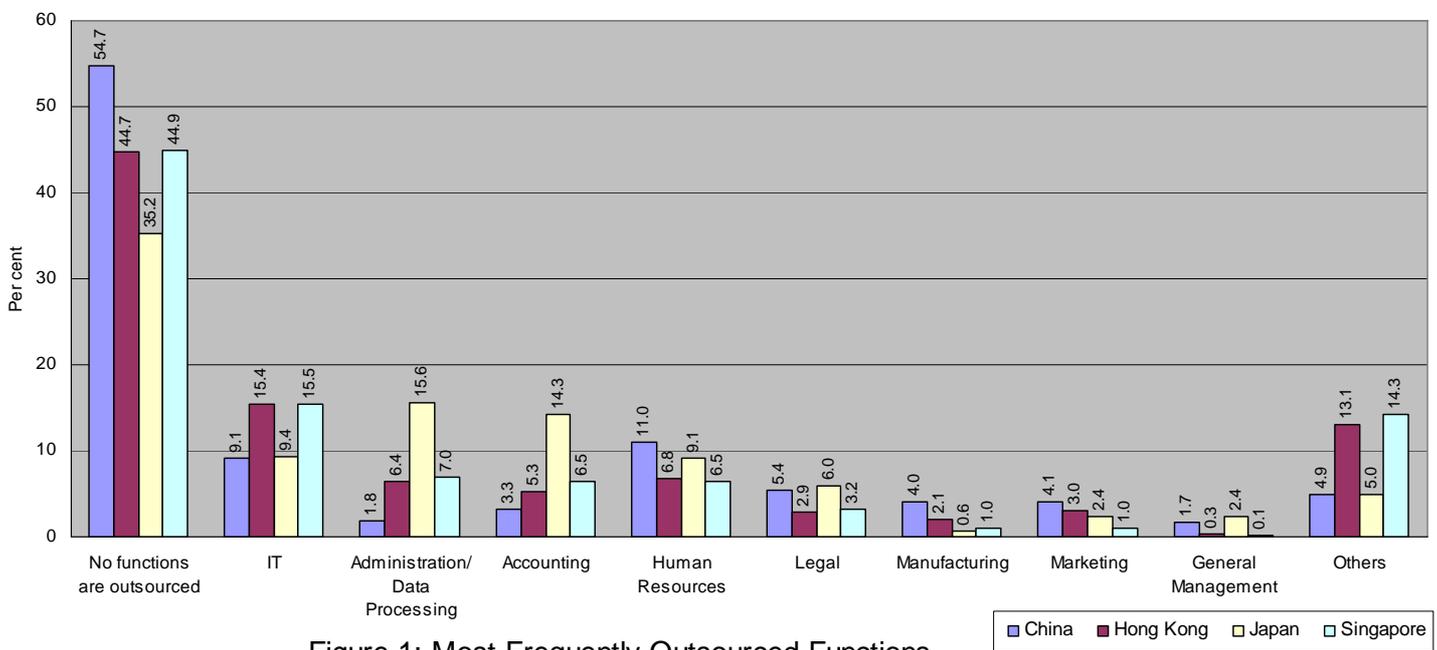


Figure 1: Most Frequently Outsourced Functions

Note: About 500-600 company executives from major industry sectors (such as Consumer, Industrial, Financial Services, Legal, and IT and Telecommunications) in each of the four economies were surveyed.

Source: Hudson Global Resources (2004); *The Hudson Report – Asia*, October-December. Hudson Global Resources (2004); *The Hudson Report – Singapore*, October-December.

(B) Aflac: An example of using third-party distribution channels in Japan

- American Family Life Assurance Company of Columbus (Aflac) is an American insurance company that primarily sells supplemental health and life insurance in the USA and Japan.
- Aflac’s branch in Japan (Aflac Japan) was founded in 1974. Aflac was the second foreign company in history licensed to sell insurance products in Japan.
- Japan is the second largest insurance market in the world (Aflac Incorporated, 2002, p. 15).

- Over the years, Aflac Japan has successfully built its business through its distribution system. Today, Aflac Japan is the largest insurance company in terms of individual policies in force in Japan (Aflac Incorporated, 2005, p. 8). Aflac Japan accounted for 75 per cent of Aflac's total revenues and 80 per cent of Aflac's total assets in 2004 (Aflac Incorporated, 2005, p. 48).
- Before April 2001, Aflac Japan's distribution system had three components: affiliated corporate agencies, independent corporate agencies, and individual agencies.
- An affiliated corporate agency is one that is directly affiliated with a specific corporation. A corporation establishes the agency to sell Aflac's insurance policies to its employees on payroll deduction. In turn, Aflac pays the agency a commission (Aflac Incorporated, 2005, p. 71).

Affiliated corporate agencies are effective in reaching employees of large companies. 93 per cent of the companies listed on the Tokyo Stock Exchange make Aflac products available to their employees (Aflac Incorporated, 2005).

- Independent corporate agencies and individual agencies are effective in reaching employees of small and medium-sized companies, as well as the direct market.
- In order to further expand its distribution system, Aflac Japan established a strategic marketing alliance with Dai-ichi Mutual Life Insurance Company in 2001. Dai-ichi Mutual Life is Japan's second largest life insurance company in terms of assets. Under the agreement, Dai-ichi Mutual Life's sales force began selling Aflac's cancer life insurance product from April 2001 (Aflac Incorporated, 2002, p. 14).
- The use of Dai-ichi Mutual Life's sales force has brought additional sales to Aflac Japan.
- But a decline in sales of Aflac's product through Dai-ichi Mutual Life was registered over years:
 - In 2004, Dai-ichi Mutual Life sold 244,400 of Aflac's cancer life policies, compared with 305,600 in 2003 and 359,500 in 2002 (Aflac Incorporated, 2005, p. 31).
 - Dai-ichi Mutual Life's sales of Aflac's cancer life policies accounted for 7 per cent of Aflac's total new annualized premium sales in 2004, compared with 10 per cent in 2003 and 11 per cent in 2002 (Aflac Incorporated, 2005, p. 31).
 - Aflac believes that the decline in cancer life policy sales through Dai-ichi Mutual Life is attributable to Dai-ichi Mutual Life's increased focus on the sale of its own life and annuity products (Aflac Incorporated, 2005, p. 31).
 - This example illustrates that a company's products may not be given first priority by the outside sales agencies that it engages.
- Today, Aflac Japan's distribution system consists of more than 71,300 licensed sales associates, representing about 2,100 affiliated corporate agencies, more than 14,200 individual or independent corporate agencies, and the sales force of Dai-ichi Mutual Life Insurance Company (Aflac Incorporated, 2005).

In comparison, Aflac Incorporated (which is the parent holding company) and its subsidiaries only had 6,807 full-time employees globally in 2004 (Aflac Incorporated, 2005, p. 1).

Aflac Japan's reliance on agents significantly reduces its fixed costs.

(C) Examples of using third-party sales force in financial services in Singapore

• Third-party marketing intermediaries sell credit cards for banks

In view of the intense competition in consumer banking in Singapore, banks engage outside (i.e. third-party) sales agencies to sell their credit cards to consumers (e.g. through telemarketing), in addition to using other marketing communication techniques, such as advertising and direct mailing, to promote their cards.

• Standard Chartered Bank sells unit trusts managed by other financial institutions

- Standard Chartered Bank is a British bank. In Singapore, it is an established foreign bank and offers a wide range of banking services.

- In Singapore, Standard Chartered Bank sells unit trusts managed by other financial institutions (including those managed by asset management companies of rival banks). It is a pioneer in acting as a third-party distributor of unit trusts to retail consumers in Singapore. It does not have its own unit trusts products.

- As Standard Chartered Bank's financial advisors sell unit trusts managed by other financial institutions, the bank is like an outside sales agency. Some products are better than others and hence sell better. Some products offer better commission rates than others. These two factors will affect the selling time given by Standard Chartered Bank's sales force to the product, the optimal return to the sales force and hence to Standard Chartered Bank.

- Standard Chartered Bank (i.e. the agent) keeps a diversified portfolio of asset management companies (i.e. the manufacturers) whose products it sells. In this way, the manufacturer's power over the agent is diluted.

- At the same time, the asset management companies let other banks, besides Standard Chartered Bank, sell their products. In this way, Standard Chartered Bank's (the agent's) power over the asset management companies is diminished.

VII. Sales compensation

- Compensation figures for sales positions are available for Hong Kong and Singapore from Michael Page International, a professional recruitment agency, as tabulated in Tables 2.1 and 2.2 below.

Table 2.1: Sales Salary by Industry in Hong Kong for 2004/5

Role	Years of experience	Annual Basic Salary (HK\$)
<u>FMCG/Consumer Products/Industrial</u>		
Sales Director	10+	950K–1.2 million
General Sales Manager	7–10	750K–1 million
Key Account Manager	3–6	400K–650K
Assistant Key Account Manager	1–3	300K–400K
<u>Media</u>		
• <u>Publishing</u>		
Advertising/Media Sales Director	8–12	800K–1.2 million + commission
Advertising/Media Sales Manager	4–8	400K–650K + commission
• <u>Entertainment</u>		
Sales Director/Licensing Director	8+	800K–1.1 million
Sales Manager	4–6	500K–700K
Assistant Sales Manager	2–4	350K–500K
<u>IT and Telecommunications</u>		
Sales Director/Business Development Director	12+	1.2–1.5 million
Division Manager/General Sales Manager	8–11	900K–1.2 million
Sales Manager/Global Account Director	6–12	750K–1.2 million
Channel Account Manager/Account Manager	3–5	450K–650K
<u>Banking, Finance and Professional Services</u>		
Institutional Sales Manager	6–10	500K–700K
Corporate Sales Manager	5–8	500K–700K

Source: Michael Page International (2005); *Sales & Marketing Salary Survey for 2004/5 – Hong Kong*.

Table 2.2: Sales Salary by Industry in Singapore for 2004/5

Role	Years of experience	Annual Base Salary (S\$)
<u>FMCG/Financial Services</u>		
Sales Director/Regional Director	10+	200K–300K
General Sales Manager/Area Sales Manager	10+	150K–300K
Sales Manager	6+	80K–130K
Sales Executive	3–5	45K–80K
<u>IT and Telecommunications</u>		
Sales Director/Business Development Director	12+	200K–300K
Regional BD Manager/Channel Manager	8+	120K–160K
Sales & Marketing Manager/General Manager	8+	150K–200K
Channel Sales/Direct Sales	6+	100K–150K
Account Manager/BD Manager	4–6	80K–120K
Sales Executive	2–4	40K–80K

Note:

- (i) The salary figures above are guaranteed annual base salaries, including fixed allowances but excluding discretionary and performance based bonuses.
- (ii) Common industry practice includes a basic salary and commission element in sales positions ranging from 50:50 split to 80:20 split.
- (iii) “BD” denotes “Business Development”.

Source: The Singapore website of Michael Page International (www.michaelpage.com.sg), viewed on April 12, 2005.

VIII. High-tech sales training

- Technology offers powerful capabilities for the training of salespeople, such as in the provision of product knowledge and the training of selling skills.
- Table 3.1 shows the wide range of high-tech tools that are used for training of the sales force today.

Table 3.1: Commonly used High-tech Sales Training Methods

<ul style="list-style-type: none"> • <i>Computer-based training (CBT)</i> – CBT is any training that employs the computer as the focal point of instructional delivery. The use of software and computer equipment is used to aid in teaching. CBT is related to Computer-Assisted Instruction (CAI), Computer-Assisted Learning (CAL), and Computer-Assisted Training (CAT). • <i>Artificial intelligence (AI)</i> – Computer programs that are associated with human intelligence. That is, AI reasons and optimizes through experience. In sales, the trainee would interact with the AI program to learn reasoning and decision making that optimizes performance. • <i>Hypertext</i> – The linking of related pieces of information by electronic connections. This refers to nonlinear writing that is followed through a world of text documents, normally on the Internet. • <i>CD-ROM</i> – An optional storage medium similar to the technology utilized in audio CDs. This training medium exhibits low-cost reproductive capabilities but short-term currency problems. CDs can also function interactively with the trainee. • <i>Training videos</i> – Audio and visual presentations transmitted on VHS tapes. Videos can provide the latest information on product development, sales techniques, and product applications. The currency of the information becomes dated quickly. • <i>Video-streaming</i> – Electronic meetings that enable participants at one site to interact with participants or instructors at a different location. With proper hardware and software, any computer can display video-streaming. Firms can also project video-streamed classes and meetings onto larger surfaces, such as screens. • <i>Interactive multimedia</i> – CBT that includes video, audio, text graphics, and animation. By utilizing computer technology, the trainee can move through a course or module in a customized way that individually addresses his or her needs.
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Source: Honeycutt Jr., Earl D.; Karande, Kiran W.; Jantan, M. Asri (2002); “Sales training in Malaysia: High- vs. low-tech methods”, *Industrial Marketing Management*, Vol. 31, No. 7, pp. 581-587.

- Advantages of high-tech sales training

As mentioned in Honeycutt Jr., Karande and Jantan (2002), high-tech sales training offers instructional advantages such as:

- Sales trainees can take an e-learning class or training module at almost any geographic location.
 - Trainees can complete training at their own pace, and trainers can more easily maintain the training materials to make sure that the materials are up-to-date.
 - Trainees can be restricted from moving forward until a specified knowledge base is attained.
 - Computerized instruction can also track what trainees have learned, compute the length of time it took to master a subject, and identify the areas where trainees have difficulties mastering.
- Empirical evidence from a study on Malaysia
 - Honeycutt Jr., Karande and Jantan (2002) conducted a questionnaire survey of 200 firms (100 global and 100 local firms) in Kuala Lumpur, the capital of Malaysia. Respondents comprised of 43 companies employing hi-tech sales training methods and 59 companies using low-tech methods.
 - The results showed that firms that engaged in high-tech sales training practices in Malaysia provided better-planned training because they reported significantly higher levels of needs determination, objective setting, program content, and evaluation, than firms that provided low-tech training.

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CHAPTER 2: PERFORMANCE DRIVERS: MOTIVATION ACROSS DIFFERENT CULTURES

Introduction

In this document, two recent studies on the linkage between motivation and performance in Japan and South Korea are reviewed. These two important Asian markets are compared with the USA in these studies.

As the Japanese and Korean cultures are very different from the USA's, these two Asian countries offer useful settings for comparisons of sales force motivation across dissimilar cultures to be made. The two studies show that cultural differences appear to contribute to differences in salespeople's motivation. Hence, in order to better manage global sales forces, the management of transnational companies (especially Western firms which are unfamiliar with Asian markets) should bear in mind that their practices of motivating salespeople may need to vary across different cultures. It is important for management to identify the underlying motivational needs of salespeople of different cultures and devise motivational programs that fulfill those needs.

Comparisons between the East and the West

(I) USA versus Japan

Source: Money, R. Bruce, Graham, John L. (1999), "Salesperson performance, pay, and job satisfaction: tests of a model using data collected in the United States and Japan," *Journal of International Business Studies*, 30 (1), 149-72.

- This study investigates what factors affect sales force performance and job satisfaction in the USA and Japan.

The two countries studied represent two contrasting cultures:

- Japan: a collectivistic and high-context culture, in which collective effort, personal relationships and status are highly valued;
- USA: a highly individualistic and low-context culture, in which individualism and economics are highly valued.

- The researchers tested a causal model of sales force performance and satisfaction using the mediating variable of pay level in the two countries. The model proposes that education, seniority, valence for pay, and value congruence affect a salesperson's performance. Performance then affects pay and pay affects job satisfaction.
- The causal chain focused upon in the study is:
Valence for pay → performance → pay level → job satisfaction.
- The researchers found stronger support for their proposed model among the Americans.

Main message from this study's findings:

- In the USA, financial incentives are very important in enhancing salespeople's performance and job satisfaction.
- But in Japan, money alone is insufficient in motivating salespeople. Value congruence is also important in boosting salespeople's job satisfaction, but not performance.

The two samples:

- Industrial sales representatives were surveyed.
- For the American sample, 153 questionnaires were obtained from questionnaires sent, through the company's mailing system, to 260 sales representatives at a division of a large American multinational electronics firm in the USA, giving a response rate of 59 per cent.
- For the Japanese sample, questionnaires were completed by 175 sales representatives who were attending a corporate training program in Japan. The sales representatives were from all divisions of a large Japanese multinational manufacturer selling a diverse line of electronic products.
- Furthermore, the sales representatives' managers were asked to evaluate the salespeople's performance through a sales managers' questionnaire sent to them, so that it was possible to correlate salespeople's attitudes with performance. For the American group, 21 of the 24 managers responded, providing complete information on 146 of the representatives. For the Japanese group, 93 managers returned the questionnaire.
- Responses for 128 Japanese (n = 128) and 91 American (n = 91) sales representatives were used in the final analysis.

Useful background information on Japanese corporate culture

- In Japan, the business culture is harmonious and group-oriented. Status in the Japanese society is based on age, tenure, sex, education, and/or occupation. Promotions, raises and total compensation levels are based on seniority, rather than performance. On the other hand, meritocracy is much more important in the USA.
- Japanese salespeople value the interaction with supervisors and co-workers to a large extent.

Differences in sales force compensation practices in the USA and Japan

- Most American firms use some combination of salary and commission to motivate sales representatives, and the ratio between the two components often varies from year to year, depending on management policy and environmental changes.
- In contrast, straight salary is much more frequently the practice in Japanese firms.
- Both Japanese and American firms also include bonuses as part of compensation packages.

But Japanese bonuses are based upon company performance, while American bonuses are usually based upon individual performance.

- Some large Japanese companies, often subsidiaries of American companies, do provide compensation schemes with commission or individual bonus components. [For instance, National Cash Register pioneered commission selling in Japan, and IBM and some other Japanese firms followed suit]. But these companies are the exceptions in Japan.

The definitions and measurements:

- Seniority: a combination of the sales representative's age and length of time with the current company.
- Valence for pay: importance placed on merit increase in pay as a reward, amongst five other rewards (job security; promotion; feelings of accomplishment; social recognition; and personal growth and development).
- Value congruence: the degree of similarity between the salesperson's values and the values of management. Measured by perceived value congruence (based on sales representatives' self report) and derived value congruence (measured by comparing representatives' values to managers' values).
- Performance: measured by the sales representative's self-rating and his immediate supervisor's rating of the salesperson's performance on nine dimensions: product knowledge, report filing, territory coverage, route planning, attainment of sales objectives, expense control, prospecting for new accounts, servicing customers, and maintaining satisfactory business relations with supervisors, colleagues and clients.
- Job satisfaction:
 - the sales representative's self-rating of satisfaction with six dimensions: pay, opportunities for promotion, everyday duties (work), supervision, co-workers (peers), and customers;
 - measured by five-point items anchored by "strongly agree/ strongly disagree".

The findings:

(A) Job satisfaction's six dimensions

Among the six dimensions of job satisfaction mentioned above,

- For the American sales representatives, satisfaction with pay primarily drives and is the most important factor determining overall job satisfaction.
- For the Japanese sales representatives, satisfaction with work and peers are the most important factor (joint first position) determining overall job satisfaction.

(B) Hypotheses tested and conclusions

-
- Regression analysis was conducted to test hypotheses.

(a) Effects of formal education and seniority on performance

Formal education (highest level attained)

H1 Higher levels of formal education attained will have a positive influence on performance.

In the USA, formal education has a significant positive effect on performance.
But this is not the case in Japan.

Implications:

- There is statistical support for using education as a selection criterion, at least in industrial sales in the American electronics industry.
- As the Japanese society places a high priority on education and its role in recruitment, the finding for the Japanese sample appears to contradict the belief that formal education satisfies the need to acquire substantial product and application knowledge required by sales jobs and thus enhances salespeople's performance.

Seniority

H2 Seniority will have a positive influence on performance.

In both the USA and Japan, seniority has a significant positive effect on performance.

Reason:

Senior salespeople have accumulated job and product-related knowledge, which should enable them to maintain improved sales interactions and greater efficiencies on the job.

Note:

Seniority and vertical status relationships are among the most fundamental aspects of the Japanese society.

(b) Effects of valence for pay and value congruence on performance

Valence for pay

H3 Higher valence for pay will have a positive effect on performance.

In the USA, valence for pay has a significant positive effect on performance. This may be because sales representatives who have a higher valence for pay will work harder and achieve higher levels of performance.

But this is not the case in Japan.

Implication:

There is potential for using valence for pay as a selection criterion in industrial sales in the American electronics industry.

Value congruence

H4 Value congruence will positively influence performance.

Although positive relationships were found between value congruence and performance, the relationship was not statistically significant for both groups.

Implication:

In both the USA and Japan, there is no significant support that a salesperson's performance is higher when his values are congruent with those of the organization (as expressed by management).

(c) Effect of performance on pay level

Performance's influence on pay level

H5 Performance will have a positive influence on pay level.

In the USA, performance has a significant positive effect on pay level.

But this is not the case in Japan.

(d) Effects of pay level and value congruence on job satisfaction

Pay level

H6 Pay level will positively influence job satisfaction.

In both the USA and Japan, pay level has a significant positive effect on job satisfaction.

Value congruence

H7 Value congruence will positively influence job satisfaction.

In Japan, value congruence has a significant positive effect on job satisfaction.

But this is not the case in the USA.

(C) Most important influences on job satisfaction

The three most important and statistically significant influences on sales representatives' job satisfaction (1 = most important; all positive effects unless otherwise stated) are:

- For the USA:
 - 1 = Pay level
 - 2 = Valence for pay (negative effect *)
 - 3 = Performance

- For Japan:
 - 1= Value congruence
 - 2 = Valence for pay (negative effect *)
 - 3 = Pay level

* In both the USA and Japan, valence for pay actually reduced job satisfaction ($p < 0.05$).

Implications:

- Americans cared much more about the amount of their pay: the link between an American sales representative's salary and his level of job satisfaction was stronger than that of the Japanese.
- In contrast, Japanese salespeople are more willing to trade off salary for a congenial company culture in which shared values and teamwork are central. The correlation between how closely an individual's values matched his employer's and how satisfied he felt was stronger for the Japanese than for the Americans.

Being a member of an organization with shared values (i.e. value congruence) has a larger effect than pay level in giving Japanese sales representatives job satisfaction.

(D) Propositions tested and conclusions

- In addition to the hypotheses, the authors tested four propositions on differences between American and Japanese sales representatives.

Seniority's influence on performance

P1 The influence of seniority on performance will be higher for Japanese sales representatives than for US sales representatives.

There is no significant difference in the positive effect of seniority on performance across the two groups.

Implication:

There is no evidence to support the prediction that because meritocracy is less fundamental in Japan than the USA, seniority would have a stronger effect on Japanese salespeople's performance as a result of the best territories and accounts being given to salespeople who are older and have served the company the longest.

Valence for pay → performance → pay level

P2 The influences of valence for pay on performance and, in turn, performance on pay level will be lower for Japanese sales representatives than for US sales representatives.

Findings:

(i) It is statistically significant that the influence of valence for pay on performance is lower for Japanese sales representatives than for American sales representatives.

(ii) But it is statistically insignificant that the influence of performance on pay level is lower for Japanese sales representatives than for American sales representatives.

Value congruence's influence on performance and job satisfaction

P3 The influence of value congruence on performance and job satisfaction will be higher for Japanese sales representatives than for US sales representatives.

Findings:

(i) It is statistically insignificant that the influence of value congruence on performance is higher for Japanese sales representatives than for American sales representatives.

(ii) But it is statistically significant that the influence of value congruence on job satisfaction is higher for Japanese sales representatives than for American sales representatives.

Implications:

Japan is famous for its emphasis on harmony, or wa. Japanese sales representatives would be expected to display higher levels of value congruence, and this value congruence has a greater positive impact on job satisfaction than for the Americans, but not on performance.

Pay level's influence on satisfaction

P4 The influence of pay level on satisfaction will be lower for Japanese sales representatives than for US sales representatives.

Possible reason:

Japanese workers get more satisfaction from their feeling of being part of a strong group than they do from recognition of individual performance. Conversely in the USA, the merit-based system of bonuses and raises would lead to a stronger relationship between pay level and satisfaction than in Japan.

To sum up:

- In the individualistic USA, individual characteristics and performance will be more salient than in the more collectivistic Japan.
- Education and valence for pay positively influenced the Americans' performance, but not the Japanese'.
- Individual performance positively influenced pay level for the Americans, but not for the Japanese.
- Value congruence positively influenced job satisfaction for the Japanese, but not for the Americans.
- Pay and valence for pay play a more central role for the Americans than for the Japanese.

Managerial implications:

- Sales force management must be localized.
- For the USA:
Since financial compensation is the key sales force motivation variable in the USA, individual incentive programs and compensation packages can be designed to efficiently control the activities of sales representatives. This generally allows for looser supervision than in Japan.

[Note: In this study, it was found that Japanese representatives were subject to closer supervision than the Americans:

The mean number of representatives supervised by managers in the Japanese company was less than six, and almost eight by managers in the USA. (The difference is statistically significant at $p < 0.05$).

- For Japan:
Individual financial incentives are not the recommended way of motivating salespeople in Japan.
The primary means of motivation of Japanese sales representatives is encouraging their commitment to the firm, and clearly communicating the organization's goals and values.

In addition to the findings of this study, the authors' interviews of more than 20 American executives managing sales forces in Japan revealed that:

- Large commission portion of compensation would probably confuse and frustrate most Japanese sales representatives.
 - American recognition practices such as "salesperson of the month" tend to embarrass, not motivate the group oriented Japanese.
 - Instead, treating the whole sales force to a special occasion such as a dinner works better than individual recognition in Japan.
- But sales managers should note the negative influence that valence for pay has on job satisfaction in both the USA and Japan, although valence for pay enhances performance in the USA.

(II) USA versus Japan and South Korea

Source: Dubinsky, Alan J., Kotabe, Masaaki, Chae, Un Lim, Michaels, Ronald E. (1994), "Differences in motivational perceptions among U.S., Japanese, and Korean sales personnel," *Journal of Business Research*, 30 (2), 175-85.

- According to the authors' literature review, salesperson motivation is a function of three perceptions – expectancies, instrumentalities, and valence for rewards.
- In this study, differences across industrial salespeople from the USA, Japan and South Korea (hereafter, "Korea") for each of these three motivational dimensions are examined.
- These countries represent nations that possess three different work orientation and management orientation characteristics:

	Japan	USA	Korea
Work orientation	Group-oriented	Individualistic	Combined individualistic and group-oriented
Management orientation	Paternalistic	Non-paternalistic	Authoritarian

Main message from this study's findings:

- There were distinct motivational differences between American salespeople and both Japanese and Korean salespeople.
- But there were few motivational distinctions between Japanese and Korean salespeople.

The three samples:

- Salespeople from only one industry, namely the electronics industry, in the USA (three firms), Japan (three firms) and Korea (five firms) were surveyed to hold constant the type of product sold. Questionnaires were distributed through company mail.
- For the American sample, 218 usable questionnaires were obtained from 340 questionnaires distributed, giving a response rate of 64.1 per cent. Men made up 72.3 per cent of the sample.
- For the Japanese sample, 220 usable questionnaires were obtained from 350 questionnaires distributed, giving a response rate of 62.9 per cent. Men made up 91.9 per cent of the sample.
- For the Korean sample, 156 usable questionnaires were obtained from 450 questionnaires distributed, giving a response rate of 34.7 per cent. Men made up 96.8 per cent of the sample.

The definitions:

- **Expectancy:**
This refers to a salesperson's estimate of the probability that increased effort on some job activity will lead to higher levels of performance; in essence, it is a salesperson's perception of the linkage between effort and performance.
- **Instrumentality:**
This refers to a salesperson's estimate of the likelihood that higher levels of performance lead to greater rewards; it is basically a salesperson's perceptions of the linkage between job performance and attainment of various rewards.

Categorized into:

(a) **Intrinsic instrumentality:**

This refers to a salesperson's estimate of the likelihood that good performance would lead to rewards that are generated from within the salesperson (e.g. personal growth and development, feelings of worthwhile accomplishment).

(b) **Extrinsic instrumentality:**

This refers to a salesperson's assessments of whether effective performance will lead to receipt of externally bestowed rewards (e.g. a pay raise, promotion).

- **Valence:**
This refers to a salesperson's desire to obtain additional amounts of a given reward.

Salespeople's valences for the following seven rewards were examined:

- a 10 per cent increase in pay;
- a 10 per cent increase in job security;
- a promotion to a higher-level job, a better sales territory, or larger account responsibility;
- formal recognition for achievements;
- an increase in the amount of liking and respect on the job;
- an increase in the opportunities for personal growth and development; and
- an increase in feelings of worthwhile accomplishment.

The findings:

(a) **Expectancy:**

- There was significant support that salespeople in the USA had higher expectancy mean than salespeople in Japan or Korea.
- There was no significant difference in expectancy means between salespeople in Japan and Korea

Possible reasons:

- Organizational efforts in the USA directed at clarifying employees' job roles (e.g. use of detailed job descriptions, systematic evaluations) enhance workers' perceptions of what efforts they need to expend (as well as toward what job activities) to accomplish acceptable performance, leading to enhanced expectancy estimates.

- Also, given that American employees are relatively individualistic in their orientation, ample job discretion may well be accorded to many workers (especially those in field selling), allowing employees (within reasonable limits) to ascertain how they choose to expend their efforts, which may well be directed at activities engendering good performance.
- In contrast, Japanese and Korean firms generally do not provide as much detailed job-related information as companies in the USA. Also, Japanese and Korean employees generally are group-oriented (albeit less so in Korea than Japan). Through focusing on the group rather than on themselves, salespeople might indeed not be able to see how their individual efforts contribute to good group performance, leading to lower expectancy estimates.

(b) Instrumentalities:

- There was no significant difference across salespeople of the three countries on intrinsic instrumentality.

Authors' comment:

This finding is not necessarily surprising because salespeople's beliefs about whether effective job performance will produce internally bestowed rewards are predicated chiefly on internal (i.e. person), not external (e.g. company policies), factors. Hence, perhaps organizational policies and practices and employee orientations (which vary across the three countries) have relatively minor influence on salespeople's intrinsic instrumentality estimates.

- For extrinsic instrumentality, there was significant support that:
 - Salespeople in the USA had higher extrinsic instrumentality mean than salespeople in Japan or Korea.
 - Salespeople in Japan had higher extrinsic instrumentality mean than salespeople in Korea.

Reason:

- American companies tend to have more of a performance-based reward system in comparison to Japanese and Korean firms.
- Similarly, Japanese firms typically utilize more of contingent-reward system – where rewards are predicated on merit – than Korean organizations.
- If salespeople are accustomed to receiving organizational rewards for doing a job well (because of company practices), they are likely to see a strong linkage between good performance and their being rewarded for it, leading to higher extrinsic instrumentality estimates.

(c) Valence for rewards:

- Between American and the Asian salespeople
 - (1) There was significant support that salespeople in the USA had higher valence means than both salespeople in Japan and Korea for six of the seven reward valences studied.

Possible reasons:

- Japanese and Korean salespeople believe that they generally are receiving a sufficient amount of the six rewards. Conversely, American salespeople may perceive that management is not attending adequately to their needs for a pay increase, job security, promotion, and formal recognition, and that their sales position does not provide a satisfactory level of personal growth and development or feelings of worthwhile accomplishment. As a result, American salespeople have higher valences for the six rewards than Japanese and Korean salespeople.
 - Employees in the USA have an individualistic orientation and thus emphasize personal goals/needs, while Japanese and Korean employees are more group-oriented (and more so for Japanese employees). As a result, American salespeople have higher valences for five rewards (pay increase, promotion, formal recognition, personal growth and development, worthwhile accomplishment) than Japanese and Korean salespeople.
 - American organizations are non-paternalistic, unlike Japanese companies which are paternalistic to employees, and Korean firms which are somewhat paternalistic (though less so than Japanese firms). As a result, American salespeople have higher valence for job security than Japanese and Korean salespeople.
 - Japanese and Korean salespeople might be more desirous of receiving rewards that were not considered in this study rather than those under investigation.
- (2) The exception was liking and respect where reward valence means were statistically comparable across the three samples.

Possible reason:

- American salespeople typically work alone, in which they are left to solve problems as they arise in the field. Thus, they interact relatively minimally with management and sales peers. Perhaps due to the individualistic orientation of American employees, salespeople in the USA do not have higher valence for liking and respect than Japanese and Korean salespeople.
- Between Japanese and Korean salespeople
 - (1) Korean salespeople had a higher mean valence for formal recognition than Japanese salespeople.
 - (2) There was no significant difference between Japanese and Korean salespeople for the other six reward valences studied.

Two possible reasons:

- Although Japanese employees are more group-oriented than Korean employees, both cultures value maintaining harmony and unity among people. To prevent a situation of disharmony and disunity within the group from transpiring, perhaps Japanese and Korean sales personnel are especially focused on perpetuating equality among sales peers. As a result, their preferences for various rewards are quite similar.
- Japanese and Korean salespeople might be more desirous of receiving rewards that were not considered in this study rather than those under investigation.

Managerial implications:

(a) Expectancy:

When managing Japanese and Korean salespeople (e.g. for expatriate managers from the USA that are placed in sales management positions in Japan and Korea):

- Salespeople need to be informed of job priorities (i.e. where their efforts should be directed), the specifics of task execution, the extent of effort required for the various assignments, and the purported attendant results accruing from those efforts.
- Sales managers need to communicate clearly and in sufficient detail job duties, responsibilities, and expectations of their individual sales personnel, so as to enhance salespeople's expectancy beliefs.

(b) Instrumentalities:

When supervising Japanese and Korean salespeople,

- Management should design motivational programs that clearly link effective performance with attainment of desired organizational rewards. Basically, focusing on a performance-based reward system may be valuable.
- Salespeople need to be informed of what activities and at what level they must perform the activities to receive valued company rewards, what the rewards are, as well as the consequences of unacceptable performance.

(c) Valence for rewards:

Because the higher salespeople's valences are, the more likely they are to expend effort on necessary job tasks and responsibilities,

- It is important that management provides extrinsic rewards (e.g. a pay increase) that genuinely attend to the needs and concerns of its sales personnel and that are dispensed at sufficient levels.
- It is also vital that sales managers design the work environment in a fashion that will allow salespeople to experience relevant intrinsic rewards (e.g. personal growth and development).

CHAPTER 3: CONTROL SYSTEMS: THEIR RELATIONSHIPS WITH JOB PERFORMANCE ACROSS TWO DIFFERENT CULTURES

Introduction

In this document, the findings of two recent studies on the linkage between control systems and job performance in China are summarized. The studies offer very important findings on the Chinese market – an emerging economic power which Westerners are interested in. In addition, direct comparisons are made to the USA – the world’s largest economy which Westerners are very familiar with.

Comparisons between China and the USA

1st Source: Fang, Eric, Evans, Kenneth R., Zou, Shaoming (2005), “The moderating effect of goal-setting characteristics on the sales control systems – job performance relationship,” *Journal of Business Research*, 58 (9), 1214-22.

This research investigates how goal-setting characteristics determine the effectiveness of sales control systems (outcome control, activity control, and capability control) on job performance.

The authors propose a contingency model in which the effects of sales control systems on job performance are moderated by goal-setting characteristics (goal difficulty, goal specificity, and goal participation). They empirically tested the model using two studies conducted in the USA and China respectively.

The definitions:

- In this research, sales control systems are classified into the following three types of supervisory controls defined by Challagalla and Shervani (1996), and Kohli, Shervani and Challagalla (1998):
 - (a) Outcome control focuses on the achievement of end results, such as sales volume.
 - (b) Activity control focuses on routine activities employees are supposed to perform.
 - (c) Capability control focuses on the development of employees’ skills that enhance the quality of their behavior.

Though the above-mentioned classification of control systems appears different from that adopted by Anderson and Oliver (1987) at first glance, the two classifications are actually similar. In Anderson and Oliver (1987), control systems are classified into those that emphasize end results (i.e. outcome control) and those that stress inputs and processes (i.e. behavior control). Hence, outcome control is the same in both papers. Also, Anderson and Oliver (1987)’s definition of behavior control can be viewed as a combination of Fang, Evans and Zou (2005)’s activity control and capability control.

- In this research, goal-setting characteristics are defined according to definitions adopted by Locke and Latham (1990):
 - (a) Goal difficulty refers to the degree to which the goals assigned by a supervisor are attainable.

- (b) Goal specificity refers to the extent to which the goals are clearly defined by a supervisor.
- (c) Goal participation is the degree of involvement of salespeople in setting the goals.

Also, this study has focused on assigned output goals (such as assigned sales volume and/or profit quotas), not salespeople self-set performance goals. It only investigates quantitative performance goals, not behavior goals like improving customer satisfaction.

- In line with the sales literature, salespeople’s job performance was assessed with regard to outcome performance (i.e. end results, e.g. making dollar sales and generating new accounts) and behavior performance (i.e. salespeople’s activities, knowledge, and skills) in this research.

The US sample:

- A total of 290 usable questionnaires were obtained from questionnaires distributed to 1,257 salespeople, giving a response rate of 23 per cent. Men made up approximately 77 per cent of the sample.
- The sample covered a variety of products, including health insurance, computer components, home electronics, mechanical products, and financial services.

The China sample:

- 247 usable questionnaires were obtained from questionnaires distributed to salespeople in 30 companies in China. Men made up approximately 71 per cent of the sample.
- The sample covered a range of products, including insurance, medical equipment, home electronics, and IT products.

Measurements:

- Items measurement consisted of a seven-point Likert-type scale ranging from “strongly agree” to “strongly disagree”.
- Various statements were used to generate each of the eight constructs (i.e. outcome control, activity control, capability control, goal difficulty, goal specificity, goal participation, outcome performance, and behavior performance).

The findings:

- Regression analysis was conducted to test hypotheses.

(a) Goal difficulty

H1 The effect of outcome control on salespeople’s outcome performance is greater when goal difficulty is moderately high than:

- (a) when goal difficulty is low.
- (b) when goal difficulty is extremely high.

In both the USA and China, the positive effect of outcome control on outcome performance is only significant under moderately difficult performance goals. This may be because when the assigned goals are moderately difficult, salespeople tend to work harder in response to a supervisor's outcome control than when the assigned goals are either very easy or too difficult.

H2a The effect of activity control on behavior performance is weaker when goal difficulty is high than when goal difficulty is low.

- In the USA, there is significant evidence that high goal difficulty reduces the effect of activity control on behavior performance.
- But in China, there is no statistically significant difference between the effects of activity control on behavior performance when goal difficulty is high or low.

H2b The effect of capability control on behavior performance is weaker when goal difficulty is high than when goal difficulty is low.

In both the USA and China, there is significant evidence that high goal difficulty reduces the effect of capability control on behavior performance.

(b) Goal specificity

H3 The effect of outcome control on outcome performance is stronger when goal specificity is high than when goal specificity is low.

- In both the USA and China, there is no evidence that when performance evaluation is perceived as specific, salespeople would exert more effort stimulated by outcome control on tasks (which in turn enhances the effects of outcome control on outcome performance), than when performance evaluation is not perceived as specific.
- In fact, it is the opposite for the China sample: outcome control only has a significant effect on outcome performance when goal specificity is low among salespeople in China.

Possible reason:

- The American culture is characterized by low-context communication, while Chinese culture is characterized by high-context communication.
- Low-context communication involves the use of explicit and direct messages in which meanings are contained mainly in the transmitted messages, while high-context communication involves the use of implicit and indirect messages in which meanings are embedded in the sociocultural context (Hall, 1976).
- Usunier (1996) has suggested that in the case of low-context communication, the evaluation phase needs to be precise and specific for individuals to work hard in response to supervisory control.

But in the case of high-context communication, specific and clear evaluation criteria tend to decrease salespeople's motivation to work hard in response to supervisory control, reducing the effects of outcome control on outcome performance.

H4a The effect of activity control on behavior performance is weaker when goal specificity is high than when goal specificity is low.

In both the USA and China, there is significant evidence that nonspecific goals enhance the effect of activity control on behavior performance.

Possible reason:

Nonspecific goals could enhance individuals' creativity due to more perceived autonomy. Hence, nonspecific goals could facilitate employees' development of effective selling activities and skills, enhancing the effect of activity control on behavior performance.

H4b The effect of capability control on behavior performance is weaker when goal specificity is high than when goal specificity is low.

- In China, there is significant evidence that nonspecific goals enhance the effect of capability control on behavior performance. (Same possible reason as how nonspecific goals could enhance the effect of activity control on behavior performance, as mentioned in H4a above).
- But in the USA, there is no statistically significant difference between the effects of capability control on behavior performance when goal specificity is high or low.

(c) Goal participation

H5a The effect of activity control on behavior performance is stronger when goal participation is high than when goal participation is low.

H5b The effect of capability control on behavior performance is stronger when goal participation is high than when goal participation is low. Not supported Supported

- In China, goal participation enhances the effects of supervisors' activity control and capability control on behavior performance.

This may be because participation in the goal-setting process may help clarify the task to be performed by salespeople and provides salespeople explicit knowledge of where to direct their efforts, which enhances the effectiveness of activity control and capability control.

- But in the USA, there is no statistically significant difference between the effects of activity control and capability control on behavior performance when goal participation is high or low.

Possible reason:

- Markus and Kitayama (1991) have suggested that:

- The American culture is characterized by independent-self emphasizing autonomy and freedom from social influence; and places high value on the uniqueness of internal qualities like preferences and abilities.

- But the culture of China is characterized by interdependent-self, which emphasizes the interconnectedness of people and assigns greater value to social exchange.

- Because participation in the goal-setting process helps build connections among individuals and between individuals and environments, its moderating effects tend to be more salient in interdependent-self cultures like China, than independent-self cultures like the USA.

To sum up:

- It is necessary to consider goal-setting characteristics when one attempts to link sales control systems to salesperson's job performance.

Managerial implications:

- When managers use control systems, they should consider the implication of appropriate goal-setting strategies and their performance objectives, and be sensitive to the differences across national cultures.
- For sales managers in the USA:
 - When end results (e.g. salespeople's sales volume and profits) are the primary concerns, a high level of outcome control along with moderately difficult, specific goals should be adopted.
 - When behavior performance (e.g. maintaining good relationships with customers and providing timely feedback) is the primary concern, high levels of activity control and capability control along with more easily obtainable, nonspecific goals (e.g. "do your best") are more desirable.
- For sales managers who may be supervising Chinese salespeople in MNCs in China:
 - When end results are the primary concerns, a high level of outcome control along with moderately difficult, nonspecific goals would be appropriate.
 - When behavior performance is the primary concern, high levels of activity control and capability control along with more easily obtainable, nonspecific goals, and a high level of goal participation should be adopted.

2nd Source: Atuahene-Gima, Kwaku, Li, Haiyang (2002), “When does trust matter? Antecedents and contingent effects of supervisee trust on performance in selling new products in China and the United States,” *Journal of Marketing*, 66 (3), 61-81.

Main message of this study:

Supervisee trust does not exhibit a direct, positive relationship with sales performance.

Using samples of salespeople in China and the USA,

- The authors investigate the effects of sales controls and supervisor behaviors on salespeople’s belief in the supervisor’s benevolence (i.e. supervisee trust);
- The authors then examine the roles of sales controls and supervisor behaviors as moderators of the relationship between supervisee trust and sales performance in the context of selling new products.

(The authors tested their model in the context of selling the most recent new product introduced by the firm. This is because they argue that in the sales context, supervisee trust could be more operative when the situation involves selling a new product. A new product involves greater selling risk and uncertainty than an old product).

- At the same time, the authors investigate how culture influences the strength of the relationships proposed. The two countries studied represent two contrasting cultures:
 - China: a collectivist, low-trust and high-uncertainty avoidance society
 - USA: an individualist, high-trust and low-uncertainty avoidance society

[Note:

- The individualism/collectivism dimension refers to the degree to which people look after their own interests as opposed to the interest of in-groups.
- The uncertainty avoidance dimension refers to the degree to which people in a society tolerate ambiguity and uncertainty and feel threatened by uncertain situations.]

The definitions:

- Supervisee trust:

Defined as the degree to which the salesperson perceives the supervisor as benevolent and believes that the supervisor is genuinely interested in the salesperson’s welfare and provides due care for his or her needs.

The authors’ measures of supervisee trust capture “personal trust” (known as *xinren* in Chinese), reflecting the degree of the supervisor’s personal attachment and emotional bond with the salesperson and genuine care and concern for the salesperson’s welfare.

- Sales controls

- Output control: the extent to which a supervisor places emphasis on results when monitoring, evaluating, and rewarding salespeople.
- Process control: the extent to which a supervisor emphasizes procedures and behavioral activities in monitoring, evaluating, and rewarding salespeople.

Note: Process controls differ from output controls in that performance risk is shifted away from the salesperson and to the organization.

- Supervisor behaviors

Three supervisor behaviors are considered:

- Supervisor accessibility: the extent to which the supervisor is available to meet and interact with the salesperson (e.g. making joint sales calls with the salesperson); reflects the degree of personal communication and interaction frequency between them.
- Achievement orientation: the degree to which the supervisor sets challenging goals, expects high levels of performance, and expresses confidence in the salesperson's ability to meet the goals and expectations; captures the convergence of the salesperson's and supervisor's goals, thereby reflecting shared values and agreement on goals.
- Role ambiguity: the degree of discrepancy between the information available to the salesperson and the information he/she requires to perform the job adequately; reflects the degree of uncertainty and lack of clarity the salesperson perceives in his/her job.

Among the several dimensions of role ambiguity, the authors have focused on customer role ambiguity (e.g. lack of clarity about what services to provide to customers, what company strengths to emphasize to customers, etc.) because it has been contended in the existing literature that the customer interface is perhaps the most important dimension affecting sales performance.

- Sales performance:

Defined as the extent of achievement of sales objectives for a specific new product that recently has been introduced by the firm.

- Product complexity: the extent to which the new product being sold is technically complex and sophisticated.
- Competitive intensity: the perceived intensity of market competition.
- Market volatility: the degree of market and demand changes.

The samples:

- Both samples consisted of sales employees of firms in the electronics, information technology, software development, biotechnology, and other high-technology sectors.
- For the China sample, 157 usable questionnaires were obtained through on-site interviews conducted at companies in Beijing's High Technology Experimental Zone, giving a response rate of about 35 per cent from an initial 450 salespeople randomly selected for the study. Men made up 74 per cent of the sample.
- For the USA sample, 190 usable questionnaires were obtained from questionnaires mailed to 750 salespeople randomly selected from a list supplied by a commercial provider, giving a response rate of 25 per cent. Men made up 79 per cent of the sample.
- t-test results showed that the American salespeople were more likely to have higher company tenure and higher sales experience, and tended to work more hours per week than the Chinese salespeople.

Measurements:

- Items measurement consisted of a five-point Likert-type scale that focused on the firm's most recent new product.
- Various statements were used to generate each of the 10 constructs (i.e. sales performance, output control, process control, supervisee trust, supervisor accessibility, achievement orientation, role ambiguity, product complexity, competitive intensity, and market volatility).
- The scale for sales performance ranged from "1=no extent" to "5=to a great extent". All other scales ranged from "1=strongly disagree" to "5=strongly agree".

The findings:

- Regression analysis and t-tests were conducted to test hypotheses.
- "Product complexity", "competitive intensity" and "market volatility", which were variables that might influence supervisee trust other than those variables investigated in the hypotheses, were controlled statistically.
- Tables 2.1 to 2.5 below summarize the results of the hypotheses tested and the implications for both countries:

(a) Effects of output and process controls on supervisee trust

Outcome control

H1a Outcome control is related negatively to supervisee trust.

H1b The negative effect of outcome control on supervisee trust is stronger in China than in the United States.

In both the American and Chinese samples, there is no significant support for a negative relationship between output control and supervisee trust.

Process control

H2a Process control is related positively to supervisee trust.

H2b The positive effect of process control on supervisee trust is stronger in China than in the United States.

In both samples, process control has a positive effect on supervisee trust.

But in the American sample, the positive effect is not significant.

Possible reason:

Given their relatively high-uncertainty avoidance culture, Chinese salespeople may perceive process control as more supportive and nurturing than American salespeople do.

(b) Effects of supervisor behaviors on supervisee trust

Supervisor accessibility

H3a Supervisor accessibility is related positively to supervisee trust.

H3b The positive effect of supervisor accessibility on supervisee trust is stronger in China than in the United States.

In both the American and Chinese samples, supervisor accessibility has a significant positive effect on supervisee trust. The effect is stronger in the Chinese sample.

Possible reason:

Given that the Chinese are relatively more collectivist and uncomfortable with uncertainty, they would attach greater importance to the support and caring benefits inherent in supervisor accessibility than their individualist American counterparts would. In fact, the Americans may view supervisor accessibility as interference in their work.

Achievement orientation

H4a Achievement orientation is related positively to supervisee trust.

H4b The positive effect of achievement orientation on supervisee trust is weaker in China than in the United States.

In both the American and Chinese samples, achievement orientation has a significant positive effect on supervisee trust.

- But there is no statistically significant difference in the effect between the two samples.

Implication:

As there is no significant evidence that the positive effect of achievement orientation on supervisee trust is weaker in China, there is no support for the following proposition on cultural differences:

- Given the individualist American culture, salespeople will cherish achievement orientation because it is designed to motivate high individual performance. In contrast, the collectivist Chinese place greater weight on the in-group's interests than on personal interests. Hence, achievement orientation style may be perceived as undue pressure to achieve individual goals rather than the group's goals.

Role ambiguity

H5a Role ambiguity is related negatively to supervisee trust.

H5b The negative effect of role ambiguity on supervisee trust is stronger in China than in the United States.

In both the American and Chinese samples, it has been found that role ambiguity is unrelated to supervisee trust.

(c) Main effect of supervisee trust on sales performance

H6a Supervisee trust is related positively to sales performance.

H6b The positive effect of supervisee trust on sales performance is stronger in China than in the United States.

In both the American and Chinese samples, there is no significant support for a positive relationship between supervisee trust and sales performance.

Note: In the existing management literature, there is also little support for a positive relationship between trust and performance.

(d) Moderating role of output and process controls

H7a The greater the level of output control, the greater is the likelihood that supervisee trust will lead to higher sales performance.

H7b The greater the level of process control, the greater is the likelihood that supervisee trust will lead to lower sales performance.

(i) Output control

In the Chinese sample, output control ensures a positive effect of supervisee trust on sales performance.

This finding provides support for arguments made in the existing literature that trust is more important for performance in situations of high performance risk, because opportunistic behavior becomes unprofitable.

But this is not the case in the American sample, which in fact yields the opposite effect.

Four possible reasons:

- The high uncertainty avoidance in China suggests that the disadvantages of output control, particularly the shifting of performance risk to the employee, may be perceived more by the Chinese than the Americans. Hence, supervisee trust becomes more important for sales performance in China than the USA.
- There is a higher expectation of equity and fairness in risk sharing between the organization and the employee in high-trust cultures like the USA. Consequently, by transferring a disproportionate amount of performance risk to salespeople, output control may damage the basis of supervisee trust in the USA.
- Due to the lower uncertainty avoidance among American salespeople, they are more accepting of the risk of abusing trust when performance risk is shifted to them.
- Given their high level of individualism, American salespeople under output control may pursue short-term goals through activities that could harm customer relationships and overall sales performance in the long run.

The above explanations reflect the finding that output control might lead to opportunistic behavior depending on the salesperson's acceptance of risk (Anderson and Oliver 1987, p. 78) and that output control is not always optimal.

(ii) Process control

For both samples, the interaction between supervisee trust and process control is not significantly related to sales performance.

But process control has a significant positive main effect (i.e. without considering interaction with supervisee trust) on sales performance in both samples.
 [There is no support for a significant main effect of output control (i.e. without considering interaction with supervisee trust) on sales performance in both samples].

Hence, it appears that output control has a more limited role in sales performance than process control.

(e) Moderating role of supervisory behaviors

H8a The greater the level of supervisor accessibility, the greater is the likelihood that supervisee trust will lead to lower sales performance.

H8b The greater the level of achievement orientation, the greater is the likelihood that supervisee trust will lead to higher sales performance.

H8c The greater the level of role ambiguity, the greater is the likelihood that supervisee trust will lead to higher sales performance.

(i) Supervisor accessibility

In both the American and China samples, supervisor accessibility ensures a negative effect of supervisee trust on sales performance. This negative effect is stronger in the Chinese sample.

Possible reasons:

- In collectivist/low-trust China, supervisor accessibility may enhance potential abuse of trust because it reduces performance risk.
- Besides reducing performance risk, in the USA, supervisor accessibility may also be perceived as interference behavior. Such a behavior contradicts salespeople's expectations in such an individualist/high-trust society.

(ii) Achievement orientation

In both samples, achievement orientation ensures a positive effect of supervisee trust on sales performance. This positive effect is stronger in the Chinese sample.

Implications:

- Achievement orientation engenders mutual performance risk and concern for the goals of the organization, both of which restrain opportunistic behavior.
- Achievement orientation is important in motivating salespeople to refrain from effort aversion in a trusting relationship.

(iii) Role ambiguity

In the Chinese sample, role ambiguity interacts with supervisee trust to enhance sales performance. But this is not the case in the American sample, which in fact yields a negative interaction effect.

Possible reasons:

Role ambiguity implies that the salesperson faces high performance risk and uncertainty.

- In low-trust and high-uncertainty avoidance cultures like China, there is limited information flow between the parties to an exchange. It appears that role ambiguity enhances the impact of supervisee trust on sales performance because it increases the salesperson's perceived risk from opportunistic behavior.
- In high-trust and low-uncertainty avoidance cultures like the USA, exchange parties are not afraid to share information. It may be that when American salespeople trust their supervisors, they perceive role ambiguity (which reflects a lack of communication about responsibilities) as a sign of the supervisor's bad faith in the relationship. Given their high tolerance of risk, they may reciprocate with lower sales performance.

To sum up:

- Supervisee trust may not always enhance sales performance. In some situations, supervisee trust may provide the conditions for opportunistic behavior that hinders sales performance.
- In the Chinese sample:
 - Supervisee trust enhances sales performance when output control is adopted, when the supervisor has a higher level of achievement orientation style, and when the salesperson has higher role ambiguity.
 - Supervisee trust reduces sales performance when supervisor accessibility is high.

- In the American sample, these effects are negative or nonexistent except for achievement orientation.

Managerial implications:

- Remember that supervisee trust is only conditionally good, because it will lead to lower sales performance under certain conditions.
- Managers must perform a delicate balancing act in building and enhancing the effectiveness of supervisee trust (and other forms of trust) in different cultures.
- When supervising sales force in low-trust societies (e.g. China) and high-trust societies (e.g. the USA)
 - Managers may need to give attention to factors that build supervisee trust and enhance its effectiveness on sales performance (e.g. use an achievement orientation style) when the objective is to build trust and at the same time enhance its impact on sales performance.
 - In addition, managers in China and the USA must enhance their accessibility to salespeople when they want to build trust (perhaps at the initial stage of the relationship). But they must reduce such accessibility after trust has been built.
- When supervising sales force in low-trust societies (e.g. China)
 - By using controls and behaviors that reduce the salesperson's perceived performance risk, supervisors may unwittingly reduce the potential for their benevolence (supervisee trust) to enhance sales performance. This is because salespeople may perceive greater gains than losses from opportunistic behavior under such conditions.
 - Conversely, when managers use controls and behaviors that shift performance risk to the salesperson, they encourage more trustworthy behavior that enhances sales performance.
 - If supervisee trust has already been built, managers may need to focus on factors that do not engender supervisee trust but enhance its effect on sales performance (e.g. output control and role ambiguity). This is because these factors are likely to prevent opportunism and hence enhance the impact of supervisee trust on sales performance.
 - To build supervisee trust in the low-trust and collectivist China, managers may also need to emphasize process control. This is because the Chinese attach greater importance to the care, support, and nurturing benefits of process control than to the loss of autonomy and self-control implied by this control method.
- When supervising sales force in high-trust societies (e.g. the USA)
Managers should be cautious about shifting disproportionate performance risk to the salesperson.

Reason:

As American salespeople are individualists in a high-trust environment, have better coping strategies and can tolerate risk, they are less willing to shoulder disproportionate performance risk for reasons of fairness and equity. Hence, output control and role ambiguity may combine with supervisee trust to hinder sales performance in the USA (i.e. violate the basis of supervisee trust).

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CHAPTER 4: DIRECT SELLING

Introduction

- Similar to the situation in Western countries, direct sales in Asia take place in industries such as retail, life insurance, real estate, and investment.
- Direct selling enterprises such as Amway, Avon, and Mary Kay Cosmetics have expanded their business from the USA to a number of Asian countries.
- The usual benefits for businesses to use direct selling as a distribution channel, namely, lower market entry and labor costs, apply to Asia too. For consumers, direct selling offers those who want to start their own business, for instance housewives in Asia, a feasible way to do so, by acting as the direct selling firms' distributors.
- Asians have close and extended relationships with their family members and friends. This makes them more inclined to trust person-to-person marketing, which is what direct selling between consumers is all about.

Statistics on direct selling

- Table 1 shows data, as on February 24, 2005, on direct selling obtained from the World Federation of Direct Selling Associations. In ten Asian countries where data are available, there are more than 23.8 million direct salespeople. Retail sales of direct selling organizations in these 10 countries amount to US\$34 billion a year. This translates to about 38 per cent of the annual retail sales of US\$89 billion transacted through direct selling organizations globally.
- The USA is the world's largest direct selling market, with sales of US\$29.5 billion and 13.3 million salespeople in 2003.
- In Asia, Japan's direct selling industry is the biggest in terms of sales value. Direct sales in Japan totaled US\$24.5 billion in 2002. The amount was substantially higher than direct sales in Korea and Taiwan, which were the second and third highest ranked Asian economies respectively. Moreover, the value of direct sales in Japan and Korea were the second and third largest globally among the countries with available data.
- Due to the limited growth potential of direct selling in Japan where the industry is mature, Western direct sellers, which have a strong presence in Japan have expanded their business into other Asian countries. For example in Asia today, Amway operates in China[#], Hong Kong, India, Indonesia, Japan, Korea, Malaysia, Philippines, Singapore, Taiwan, and Thailand.
(# Please refer to the section "Direct selling in China" for more details).

Table 1: Direct Sales by Country

Country	Year	Retail Sales (in US\$)	Number of Salespeople
<i>Asian Countries</i>			
Japan +	2002	24.5 billion	2,000,000
Korea +	2002	4.62 billion	3,050,000
Taiwan +	2003	1.56 billion	3,818,000
Malaysia	2002	1.03 billion	3,000,000
Thailand +	2003	800 million	4,000,000
Indonesia	2002	521.633 million	4,765,353
India	2001	300 million	806,000
Singapore +	2003	261 million	315,000
Philippines	2002	238 million	2,000,000
Hong Kong +	2000	128 million	80,000
Total		34.0 billion	23,834,353
<i>Non-Asian Countries</i>			
USA +	2003	29.5 billion	13,300,000
United Kingdom +	2003	3.092 billion	542,300
Mexico +	2003	2.885 billion	1,850,000
France +	2001	2.884 billion	300,000
Brazil +	2003	2.815 billion	1,200,507
Germany +	2003	2.615 billion	212,769
Italy +	2003	2.353 billion	260,000
Australia +	2003	1.155 billion	650,000
Canada	2003	950 million	898,436
Russia	2003	896 million	1,610,612
Venezuela	2000	681 million	502,000
Argentina +	2003	549 million	688,000
Spain +	2002	497 million	132,000
Poland	2003	487.9 million	473,400
Colombia +	2003	467 million	587,000
Switzerland	2003	355 million	6,885
Chile +	2003	285 million	213,000
South Africa	2003	284 million	450,000
Sweden +	2003	260 million	100,000
Peru	1999	240 million	136,000
Hungary	2003	170 million	144,738
Austria	2002	166 million	11,946
Ukraine	2003	150.822 million	421,066
Ecuador	2003	150 million	85,000
New Zealand +	2003	141.7 million	106,362
Netherlands	2002	107.3 million	36,526
Finland +	2003	106.9 million	77,511
Denmark +	2002	105 million	75,000
Turkey +	2002	101.9 million	210,260

Czech Republic	2002	90.6 million	177,014
Norway	2002	73.5 million	68,000
Belgium	2002	71.2 million	19,032
Portugal	2001	48.2 million	44,595
Uruguay	2000	29.9 million	31,171
Estonia	2002	9.85 million	12,258
Other *		333.5 million	253,214
Total		55.1 billion	25,886,602
Grand Total		89.0 billion	49,720,955

* “Other” includes 1998 or prior figures from Costa Rica, Greece, Guatemala, Ireland, Israel, Panama and Slovenia.

+ Retail sales include both Direct Selling Association (DSA) and non-member companies.

Source: The website of the World Federation of Direct Selling Associations (www.wfdsa.org), accessed on February 28, 2005.

(Note: For the above WFDSA’s statistics, the number of salespeople of 6,885 for Switzerland appears too low to justify an annual sales figure of US\$355 million).

Recent change in legislation in Singapore

- In Singapore, direct selling was permitted only after the government amended the Multi-level Marketing and Pyramid Selling (Prohibition) Act of 1973 in June 2000 to set multi-level marketing apart from pyramid selling. The differentiation made is that in multi-level marketing, commission is earned through product sales and thus it is legal. Conversely in pyramid selling, commission is earned primarily from recruiting new participants and it is still banned in the nation (Wong and Arshad 2002).
- A number of direct selling companies capitalized on the regulation revision and commenced direct selling business in Singapore. For example, Amway began doing so in 2002.

The success of Amway in Japan

- The success of Amway in Japan serves as a good illustration of how direct selling can be used to circumvent a difficult distribution system.
- Japan is often regarded as a difficult market for foreign enterprises to penetrate because of its complex supply chain structure. The *keiretsu* (or enterprise groups) system encompasses all aspects of distribution, ranging from infrastructure, to wholesalers and retailers. It encourages Japanese retailers to sell products of other firms belonging to the same enterprise group.
- But since Amway Japan’s launch in 1971, it has successfully made use of direct selling to circumvent Japan’s multi-layered and expensive retail distribution system, by offering consumers alternative ways to shop – via mail-order catalogs and home visits by Amway’s distributors. Amway’s performance-based structure, which enables anyone to earn a high income if he/she sells products well, has attracted many Japanese who are in their twenties, as well as women who traditionally have found it difficult to hold financially lucrative jobs in Japan, to act as the company’s distributors (Ligos, 1997).

Direct selling in China

- Foreign direct selling firms such as Amway, Avon and Mary Kay Cosmetics have undergone the ups-and-downs of business in China. When Avon entered the Chinese market in 1990, it was among the first foreign direct selling firms to set up operations in the populous nation. By the late 1990s, the direct selling business of these foreign companies in China had grown substantially.
- However in April 1998, the Chinese government prohibited direct selling, giving the explanation that it was difficult to differentiate direct selling from pyramid selling, which had caused widespread fraud, consumer losses and social disorder.
- Ten foreign direct selling companies were allowed to continue operating in the nation after the 1998 ban. But these firms had to change the way they distributed their products. They were not permitted to carry out direct sales, and had to sell goods through fixed outlets and sales promoters employed in the retail trade instead.
- However, with China's accession to the WTO in December 2001, China had promised to end market access and national treatment restrictions for sales away from a fixed location (i.e. direct selling) by December 11, 2004 as part of its WTO commitments. But the Chinese government failed to fulfill its commitment by the date set.
- At the time of writing of this document, the Chinese government has yet to issue confirmed regulations that meet its commitment to allow foreign enterprises to carry out direct selling business in the nation, though a draft regulation has been issued.
- The delayed lifting of the ban on direct selling in China, if implemented fairly to foreign direct selling companies, will present enormous growth potential to firms like Amway and Avon, which have not been able to use their traditional direct selling business model in China. This is also in view that direct selling operations of these firms were very successful in China before the 1998 prohibition.

CHAPTER 5: GENDER ISSUES

Introduction

In this document, sales force gender studies are reviewed by dividing the discussion into two areas:

- Salesperson gender differences;
- Sales manager gender differences.

(A) Salesperson Gender Differences

Research in this area has looked at differences regarding attitudes, behavior and outcomes between male and female salespeople. A number of studies, conducted on Western samples, in the academic literature have reported that few, if any, gender differences concerning various salesperson job-related perceptions exist in the 21st century. One recent publication is the following.

Source: Piercy, Nigel F., Cravens, David W., Lane, Nikala (2001), "Sales manager behavior control strategy and its consequences: the impact of gender differences," *Journal of Personal Selling & Sales Management*, 21 (1) 39-49.

- This study addresses the question of whether salespeople's evaluations of behavioral control exerted by the sales manager differ between sales teams managed by male sales managers and those managed by female sales managers.
- The intent of this research is to differentiate whether control perceptions, attitudinal and stress-related variables and work outcomes vary systematically based on the gender of the sales manager as opposed to the gender of the salesperson.
- Although sales manager gender relative to management control strategy is the central focus of this study, it first looks at salesperson gender differences and then sales manager gender differences.

The sample:

- Field salespeople who sold advertising space in published and electronic directories formed the sample for the study. They were from the UK operations of a company which was an established publisher of directories in the UK and the USA.
- The salesperson questionnaires directly identified the gender of the salesperson respondent and that of the manager of his/her sales unit.
- A total of 214 salesperson questionnaires were obtained from a circulation of 235 questionnaires, giving a response rate of more than 90 per cent. The sample comprised 60 per cent male salespeople (n = 128) and 40 per cent female (n = 86), and 80 per cent of the sales managers were male (n = 28).
- No significant gender-based differences existed between male and female salespeople in terms of annual income, time in the job, time with the company, terminal education age, or sales revenue. Average ages were 33 years for male salespeople and 32 years for females.

- All sales teams in the study were mixed gender.

The findings (for salesperson gender differences):

As reported by the salespeople:

- Male/female salesperson differences were found to be significant for only two of the thirteen constructs measured, namely intrinsic motivation and role conflict: female salespeople might display higher intrinsic motivation and lower role conflict than male salespeople.
- There were no significant differences between male and female salespeople in their perceptions of the level of behavior control exercised in their sales units or in their perceptions of work outcomes, such as individual performance, organizational commitment or propensity to leave.
- Salesperson attitudes - There were no significant male/female salesperson differences for job satisfaction or job involvement.
- Job stress - There were no significant male/female salesperson differences for role ambiguity, job anxiety or burnout.

The conclusions:

- At the salesperson level, there are essentially no gender differences, although there is relatively weak support for female salespeople displaying higher intrinsic motivation and lower role conflict.

(B) Sales Manager Gender Differences

Since the 1970s, a growing number of women have made it to sales management positions in Western countries. The following summarizes important findings of some recent publications on women as sales managers.

- (i) **Source:** Piercy, Nigel F., Cravens, David W., Lane, Nikala (2001), "Sales manager behavior control strategy and its consequences: the impact of gender differences," *Journal of Personal Selling & Sales Management*, 21 (1), 39-49.
- This single-company study examines manager gender differences relative to behavior-based approaches to sales management control, and the consequences in salesperson attitudes, job stress, and work outcomes.
- The sales team is the unit of analysis used to study the relationship between sales manager gender and salesperson perceptions and outcomes. The sales team consists of the salespeople reporting to the sales manager.

As reported by the salespeople:

- Female field sales managers used significantly higher levels of behavior control than male managers, as perceived by salespeople in their teams.
- Compared to teams managed by males, sales teams led by female managers displayed:
 - significantly higher levels of job involvement and job satisfaction (with supervision, fellow workers and customers), but not intrinsic motivation;
 - significantly lower levels of role ambiguity, job anxiety and burnout, although there was no difference in role conflict;
 - higher levels of organizational commitment and lower propensity to leave, but lower performance levels.

The conclusions:

- In a sales force that shows few gender-related differences between salespeople, female sales managers pursue control strategies of a more behavior-based orientation than do male sales managers. Consequently, their sales teams display more desirable attitudes, lower stress characteristics, and more positive work outcomes.
- (ii) **Source:** Piercy, Nigel F., Cravens, David W., Lane, Nikala (2003), “Sales manager behavior control strategy and its consequences: the impact of manager gender differences,” *Journal of Personal Selling & Sales Management*, 23 (3) 221-37.

This research examines the sales manager gender issue across multiple companies from the perspective of sales managers.

The sample:

- Field sales managers from manufacturing organizations in the UK formed the sample for the study.
- A total of 267 usable questionnaires were obtained from 500 questionnaires mailed to field sales managers, giving a response rate of 53 per cent. The sample comprised 76 per cent male sales managers (n = 204) and 24 per cent female (n = 63).
- Although the study examined only business-to-business selling situations, the sample included companies selling both industrial products and services (41 per cent) and consumer products and services (59 per cent).

A significant difference between male and female sales managers across these product/service categories existed: 51 per cent of male sales managers supervised teams selling consumer products and services compared to 89 per cent of the female sales managers.

- Female sales managers in the sample supervised sales units that were the same size as those supervised by male managers.
- Female sales managers in the sample had spent significantly less time in their current positions (average 1.8 years for females compared to 3.8 years for males).

The findings:

As reported by the sales managers:

(a) Performance:

- For salesperson behavior performance, male managers reported higher performance for technical knowledge, teamwork and sales support, whereas female managers reported higher performance for adaptability and planning, using a 0.10 level of significance.
- For salesperson outcome performance, there was no difference based on sales manager gender.

Conclusion:

- Differences in managers' assessments of salespersons' behavior performance based on sales manager gender were mixed.
- There is weak support for the position that salesperson performance outcome is higher based on sales manager gender. This finding suggests that the manager gender issue is not relevant for important salesperson performance consequences across a multi-company sample. Female and male managers supervise sales teams that display comparable salesperson performance.

(b) Sales Unit Effectiveness:

- Sales units led by female managers displayed significantly higher effectiveness.
- Given the findings on salesperson performance, the effectiveness differences could be due to the attractiveness (potential) of the sales units supervised by women, as the study showed that a significantly higher proportion of the female sales managers compared to male managers supervised higher growth sales units (85 per cent compared to 62 per cent). Women might have been assigned developing growth areas more frequently than men.
- Male and female managers appeared equally satisfied with the performance of their sales units.

(c) Organizational Citizenship Behavior (OCB):

- Significant differences were obtained for civic virtue and conscientiousness - female sales managers' scores were lower for civic virtue and higher only for conscientiousness.
- Helping behaviors, sportsmanship, and courtesy displayed no significant manager gender differences.

Conclusion:

- Compared to males, female sales managers did not show higher levels of organizational citizenship behavior as part of their management approach.

(d) Sales Manager Behavior Control:

- No differences were obtained concerning incentive pay as a percentage of total compensation for both salespeople and sales managers by manager gender.

Implication: There was no evidence that as compared to the male managers, the female sales managers were working mainly in companies with a greater commitment to behavior-based control rather than outcome-based control.

- But there were significant differences between male and female sales managers for sales manager selling time percentage, behavior control activities levels, and behavior control activity performance assessments.

Conclusion: Notwithstanding the payment of similar levels of incentive pay to male and female sales managers as part of their total remuneration, female sales managers spent significantly less of their working time selling to their own accounts, resulting in the potential to spend more time managing the sales unit and salespeople's efforts.

- Female sales managers performed significantly higher levels of behavior-based control activities (monitoring, directing, evaluating and rewarding). Their self-report performance assessments suggest that they are more competent in this management approach than male managers.

(e) Sales Organizational Characteristics:

- No significant differences were found between male and female sales manager measures of satisfaction with sales territory design, importance of selling and non-selling skills, and number of salespeople supervised.
- For the eight salesperson characteristics studied, no significant differences existed for six, with only a weak indication that female sales managers' salespeople might show higher team orientation and planning orientation (or possibly that female sales managers were more aware of these attributes among their salespeople).

Conclusion:

These findings suggest that different selling environments are not affecting the study's results on gender differences. That is, the previously discussed superior sales unit effectiveness shown by sales units supervised by female sales managers cannot be explained by easier assignments in terms of better sales territories, better sales units, lower selling skill requirements, smaller teams, or the allocation of better salespeople to female sales managers.

Source: Dubinsky, Alan J., Comer, Lucette B., Liu, Sandra S. (2001), "Gender differences in attitudes toward women as sales managers in the People's Republic of China," *Journal of Personal Selling & Sales Management*, 21 (4), 303-11.

This study investigates attitudes toward women as sales managers held by Chinese salespeople. It focuses on the perceptions of salespeople, not actual experiences.

The sample:

- Salespeople in China formed the sample for the study.
- A total of 266 usable questionnaires were obtained from a survey administered in person by a team of interviewers. The sample comprised 38 per cent male salespeople (n = 100) and 62 per cent female (n = 166).
- Respondents came from companies in which women were represented, but were not in the majority: 52.5 per cent of the companies had fewer than 50 per cent female salespeople.
- Actual experience of respondents with female managers was limited since a majority of respondents (58.7 per cent) reported 10 per cent or fewer female managers in their companies. 71.6 per cent of respondents worked for a male sales manager.
- The respondents' customers tended to be male: only about 40 per cent reported their customer base was more than 50 per cent female.

The findings:

- Male salespeople consistently rated the female sales managers lower than did female salespeople on three sets of attitude items:
 - (i) gender stereotypes;
 - (ii) managerial traits;
 - (iii) acceptance of female sales managers.
- The gender of salesperson explained approximately 19 per cent of the variance in stereotype score, with female respondents being less likely than male respondents to stereotype female sales managers.
- The gender of salesperson explained approximately 25 per cent of the variance in managerial traits score. Female respondents expressed stronger beliefs than did salesmen that women had the capability, ambition, assertiveness, self-confidence, compatibility and aggressiveness necessary for being a successful sales manager.
- The gender of salesperson explained approximately 40 per cent of the variance in acceptance of women as sales managers. Female salespeople were more willing to accept a female sales manager than were salesmen.

The conclusions:

- These findings indicate the presence of male resistance to women in sales management positions in China.

Managerial implications:

- Careful groundwork should be laid before the actual promotion of women to sales management positions. Salespeople, particularly salesmen who would be assigned to the female managers, should be carefully prepared for their arrival.
- Chinese female sales managers should be instructed in ways to avoid behaving in gender stereotypic ways that would be perceived negatively by their salespeople.
- Chinese female sales managers should remain sensitive to the likely feelings of their male subordinates and strive to earn respect by their own performance.
- Chinese salesmen should be given assurances that their potential for advancement will not be threatened by the emergence of a female manager.

CHAPTER 6: IMPACT OF TECHNOLOGY – SALES FORCE AUTOMATION

I. Introduction

- Technology is increasingly being used to automate the sales process globally. Almost all studies on SFA in the literature are conducted on Western countries. Nevertheless, these studies raise many relevant issues. A number of these Western studies are quoted.
- These studies provide empirical evidence on the perspectives of two different groups of people - the first study from the perspective of individuals responsible for SFA efforts at their organizations, and the second one from the perspective of salespeople.
- The last section reviews the findings of a recent study on sales force automation in Thailand. That study appears to be the only one on SFA that use an Asian sample, available in the academic literature. The study offers perspectives of salespeople and customers.

II. Definition of Sales Force Automation

- As stated in Rivers and Dart (1999), sales force automation involves concerting manual sales activities to electronic processes through the use of various combinations of hardware and software applications. Beyond this general definition, there is little agreement as to what constitutes sales force automation.
- Erffmeyer and Johnson (2001) has added that one organization may believe SFA means adding a fax machine, another may automate the sales process by “arming” the salespeople with laptops, cell phones and pagers. To a third, it could mean selling products or services using the Internet.
- In Erffmeyer and Johnson (2001), a broad-base definition of SFA is used: Adding technology in the form of personal use equipment such as cellular phones and laptop computers, as well as company managed equipment such as fax machines, databases, electronic data interchange (EDI) systems, the Internet and Intranet, to the sales process.
- Erffmeyer and Johnson (2001) has also pointed out that companies are finding creative ways to interface the Internet with automated sales and, in effect, utilizing the Internet to service automated sales. For instance, web page construction can be used to generate high quality leads that would then be integrated into the automated sales program.
- As mentioned by Cravens (1995), sales force automation applications include account analysis, time management, order processing and status, sales presentation, proposal generation, and product training.
- Schafer (1997) has pointed out that one category of SFA computer programs gives reps tools for designing products and closing deals on-site. Others provide the technology to develop multimedia presentations, to configure and carry out marketing campaigns, or to tap into a company’s Intranets from off-office premises.
- As mentioned by Parthasarathy and Sohi (1997):
 - SFA systems consist of centralized database systems that can be accessed remotely (e.g. when the salesperson is in the field) by laptops, allowing the salesperson to get constantly

refreshed information regarding various facets of the job, e.g. contact information, inventory and shipping statistics (to avoid backorders), customer service information, transportation logistics, and even immediate access to commission figures.

- An SFA system also enables a salesperson to file regular reports electronically without having to travel to the central office in person.
- Honeycutt (2005) states that:
 - SFA includes communication technologies, like cell phones, beepers, car faxes, wireless devices (e.g. Blackberry®), and the Internet.
 - Software applications are available to segment customers, compute efficient driving routes, send email messages, forecast, document buyer objections, manage customer interactions, and configure product specifications in the presence of the buyer.

III. Why pursue SFA?

- SFA can be viewed as part of customer relationship management (CRM) technologies. It is increasingly used to support customer relationships and improve the efficiency of information use in the sales process.
- According to Erffmeyer and Johnson (2001):
 - Organizations may pursue SFA for a number of reasons, such as an increased need to share information between departments within a company and with selected outside parties, a need to decrease the sales cycle, or simply to keep up with the competition.
 - A successful integration has the potential to help a company develop strategic advantages due to speed or response, improved accuracy, greater synergy through improved communication, and cost savings.
- More specifically, some potential benefits of SFA include:
 - Reduce the time spent on support activities and thereby free up the sales force to sell (Rivers and Dart, 1999);
 - Enhance salespeople's ability to interact with customers. Enable salespeople to more quickly and accurately access information when initiating customer contact (Keillor, Bashaw and Pettijohn, 1997);
 - Increased effectiveness through better customer targeting, time management, and call planning (Engle and Barnes, 2000).

IV. Impact of SFA on the salesperson's role

- As mentioned by Honeycutt (2005), SFA has changed the role of the salesperson. For instance:
 - Because of technology, a salesperson is now expected to be contactable at all times of the day and night by both company managers and customers.
 - Technology, in the form of computer software, also promises to make the efforts of sales managers and salespersons more efficient.
- As mentioned by Cravens (1995):

- SFA changes how managers and salespeople communicate because they do not operate out of the same office.
- Using information technology, salespeople are able to analyze sales history much better and much faster than in the past. On the road or in the customer's office, information is at their fingertips to answer questions and solve problems. Visual displays portray products, applications, and performance information.

V. Expenditure on SFA

- As mentioned in Erffmeyer and Johnson (2001), estimates of the cost for adding technology in the sales process range from between US\$5,000 and US\$15,000 per salesperson (Hanaman, 2000; McCrea, 1998), depending upon the levels of technology implemented.
- As mentioned in Honeycutt (2005):
 - Forecasted global sales of SFA software for 2004 was US\$4.05 billion (Jarvis, 2001).
 - Customer Relationship Management (CRM) systems were predicted to reach US\$74 billion in sales by 2007 (Darwin, 2004).

VI. Success rate of SFA

- Blodgett (1995) noted that as many as 75 per cent of SFA projects failed.
- More recently, Schafer (1997) and Hamblen (1998) reported that at least 60 per cent of SFA projects failed to produce measurable benefits. Although this failure rate represents an improvement over the rate previously reported, it is still high.
- Hence, it is important for managers to understand the issues concerning SFA, so as to boost the success rate of SFA initiatives at their companies, bearing in mind the substantial investment costs involved in such projects.
- Reasons which have been given for the failure of SFA projects include salespeople who are resistant to SFA initiatives, lack of training for the sales force, automation of the wrong processes, and failure to involve key managers in the upgrade. (Please refer to the next section for more details).

VII. Barriers to SFA adoption

- Honeycutt, Thelen, Thelen and Hodge (2005) identifies and explains impediments that influence the acceptance, adoption, implementation, and success of SFA.
 - In Table 1.1, organizational and sales force problem areas that impede the successful adoption of SFA are listed, based on the authors' review of the existing literature.

Table 1.1: SFA Failure Reasons based on literature review

<p><u>Organizational issues</u></p> <ul style="list-style-type: none">• Poorly defined goals/ overemphasis on technology• Unrealistic expectations• Not measuring/evaluating progress• Poor technical support• Inadequate training <p><u>Sales force acceptance</u></p> <ul style="list-style-type: none">• Too much effort required• Benefit/reward not apparent to sales force• Role stress, conflict and overload• Sales force perceives SFA as disruptive to sales process• Salespeople's resistance due to perceived lack of autonomy/ increased micromanagement• Salespeople's resistance due to perceived increased workload
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Source: Adapted from Honeycutt, Earl D.; Thelen, Tanya; Thelen, Shawn T.; Hodge, Sharon K. (2005, *article in press, corrected proof*); "Impediments to sales force automation", *Industrial Marketing Management*, forthcoming.

- Figure 1 further details organizational impediments to SFA adoption, the impact of SFA on the sales force, and potential outcomes on the sales force due to SFA implementation, in three areas: planning, communication, and evaluation.

Companies have been shown to exclude the sales force when planning, to be unclear when communicating how technology changes will benefit the sales force, and to not evaluate technology adoptions – particularly how SFA systems benefit customers (Honeycutt, 2005).

- The high failure rate of SFA can also be explained by significant gaps that exist, between the organization and sales force, in perceptions and goals of SFA. As shown in Table 1.2, each party is preoccupied with the goals, benefits, and costs of an SFA program.

These include: the time and effort to master new technology, how sales responsibilities will change, and the issue of lost independence. Specifically, perceptual differences abound in the areas of efficiency or doing more with fewer personnel, which raises fears among the sales force regarding downsizing and disparate attitudes about how technology increases competitive advantage (Honeycutt, 2005).

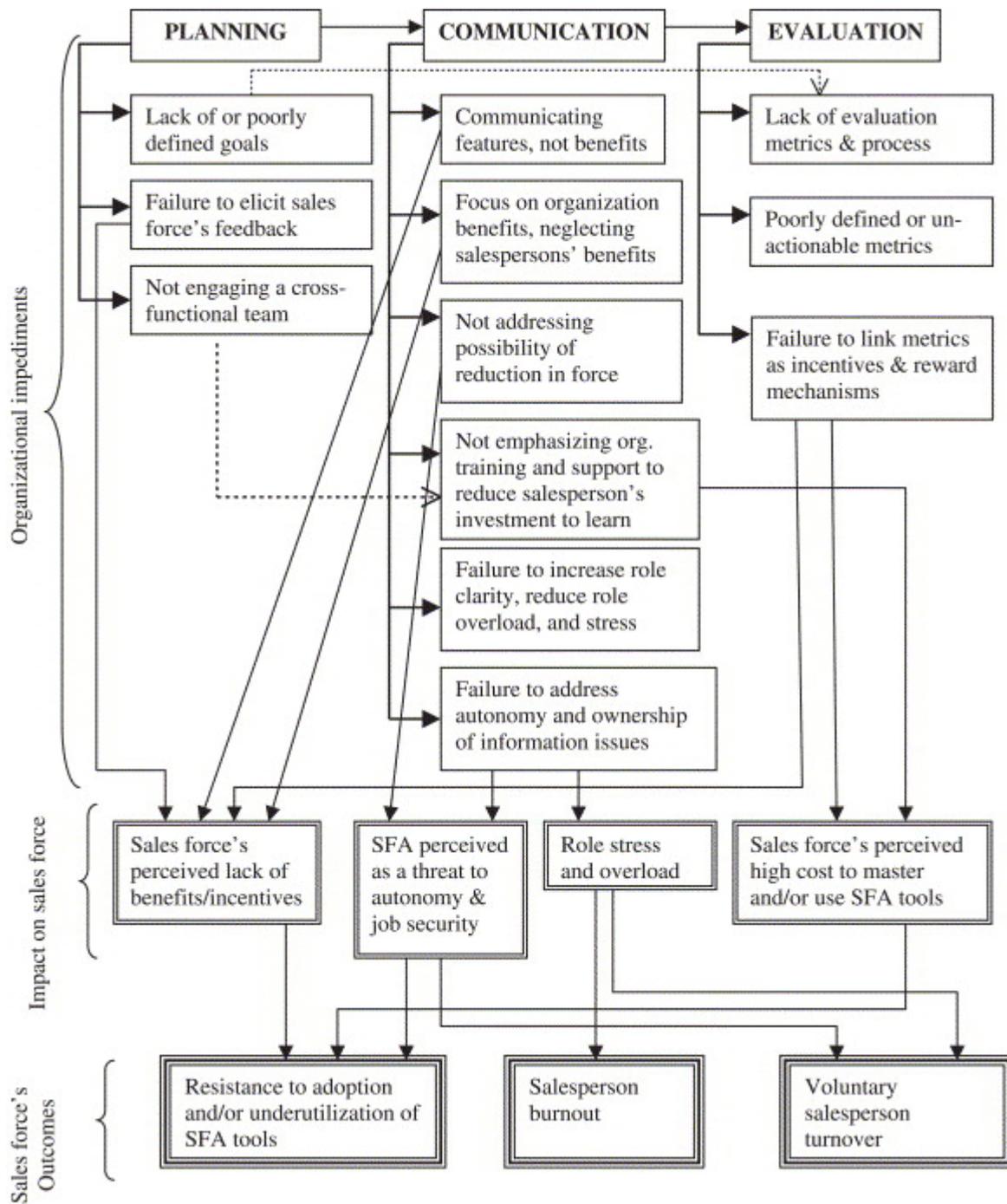


Figure 1: Common pitfalls in the three SFA stages – planning, communication, and evaluation

Source: Honeycutt, Earl D.; Thelen, Tanya; Thelen, Shawn T.; Hodge, Sharon K. (2005, *article in press, corrected proof*); "Impediments to sales force automation", *Industrial Marketing Management*, forthcoming.

Table 1.2: Organization versus salesperson perspectives of SFA

Shared	Organization	Salesperson
<i>Goals/benefits sought</i>		
Efficiency (higher ROI)	Achieving higher sales revenue per salesperson	Reduced time to produce same revenue or greater sales revenue for same time invested
Competitive advantage	Exceeding customer expectations and industry norms	Becoming more technologically advanced than peers
More detailed and accurate information	Comprehensive details on clients and status of each account	Access to greater product and competitor information and sales leads
Administrative improvements	Enabling the sales force to perform new tasks	Time savings on existing non-selling tasks
Improved customer service	Value-added services that allow premium pricing	Increased status with clients
Better understanding of sales activities	Increased monitoring and control of the sales force	Greater understanding of effectiveness of sales techniques
<i>Impediments to adoption</i>		
Initial investment	Installation of initial equipment and software; train the sales force	Time to learn how to use the SFA tools (time spent away from selling)
Operational costs	Technical support; upgrades; maintenance; voluntary turnover of dissatisfied sales force	Continuous mastering of technology
Organizational/sales force changes	Required organizational changes	Loss of independence and autonomy due to increased monitoring
Job description	Reorganization of work	Loss of power due to disclosing previously proprietary customer information
Turnover		Loss of salespersons due to inability to learn or increased productivity caused by technology
Vulnerability to rapid technological change	Risk of losing monetary investment due to technology obsolescence	Time “wasted” learning new technology

Source: Honeycutt, Earl D.; Thelen, Tanya; Thelen, Shawn T.; Hodge, Sharon K. (2005, *article in press, corrected proof*); “Impediments to sales force automation”, *Industrial Marketing Management*, forthcoming.

- At the level of the individual salesperson, Parthasarathy and Sohi (1997) has suggested that salespeople who are older, less educated, risk averse, less venturesome, less up-to-date with happenings in the SFA field, and less exposed to computer technology are more likely to resist SFA systems and under-utilize them.

VIII. Managerial implications: How to make SFA work

- As mentioned by Cravens (1995):
 - Companies not currently involved in SFA need to be looking at what is available and how it can be used to improve the effectiveness of their sales organizations.
 - Decide how automation fits the requirements of a particular company. Management needs to evaluate the potential value provided by the technology against the cost of implementation.
- The following points on how to make SFA work are frequently mentioned in the existing literature (e.g. Honeycutt, 2005):
 - Get the salespeople involved. Get them to “buy in” to SFA. Seek input from the sales force right from the initial stages of the decision-making process.
 - Let the salespeople see how SFA will benefit them. Clear communication to them is important.
 - Train the sales force properly before implementation of SFA.
 - Ensure data accuracy as that will also reduce sales force frustrations.
 - Support from management is necessary.
As mentioned in Honeycutt (2005), sales managers play a significant role in the success of SFA. The sales manager must plan and communicate well, hire technologically adept salespersons, offer appropriate training, set role expectations, and remain aware of new laws that impact SFA[#].

[#] Note:

Examples of new laws that impact SFA are legislations governing spam e-mails which some countries have recently implemented. Sales managers and salespeople need to be aware of such legislations when making cold calls electronically, since commercial e-mail plays a significant role in salesperson-customer interactions today. For instance, the CAN-SPAM (Controlling the Assault of Non-Solicited Pornography And Marketing) Act of 2003 implemented in the USA holds the company primarily responsible for e-mails sent by salespeople on its behalf. This law forbids deceptive headings, using e-mail addresses obtained illegally, requires senders to have a working unsubscribe system, assesses liability, and criminalizes certain types of e-mail actions. Penalties are imposed on firms for violations to the Act. For more information on the implications of the CAN-SPAM Act for salespeople and sales managers, see Clarke III, Flaherty and Zugelder (2005).

IX. An example of SFA in Singapore

(Adapted from Tan, 2005; Tan and Yap, 2005)

- PSC Corporation Ltd is a public listed company in Singapore. It supplies grocery goods to provision shops and convenience stores.

- 12 salespeople from PSC Corporation serve 1,200 provision shops and convenience stores in public housing estates across the city-state.
- Instead of using a manual paper-pen system to record orders, the salespeople are armed with personal digital assistants (PDAs) that are loaded with stock information and an ordering system. Every order can be wirelessly sent back to be processed and orders delivered the next day, leading to instant sales and faster delivery to the stores.
- The gadget system was implemented in the second quarter of 2004.

X. Two studies on the USA

(i) **Source:** Erffmeyer, Robert C., Johnson, Dale A. (2001), “An exploratory study of sales force automation practices: expectations and realities,” *Journal of Personal Selling & Sales Management*, 21 (2), 167-75.

- This study examines the design and implementation of SFA at companies involved in such efforts. It highlights the goals, critical implementation issues, and outcomes of automating the sales process.
- Though its sample size is limited, the study raises many important issues and implications.

Main message from this study’s findings:

- Some planning and evaluation practices have been used in automating the sales process. But systematic formal planning and evaluation practices were not widely adopted.
- The most frequent positive outcomes of SFA are improved communication with the client and access to information.
- The most frequent negative experiences of SFA are underestimating overall project costs and the amount of training required.

The sample:

- Using quota sampling, 100 organizations located within one Midwestern state in the USA were systematically selected in proportion to their distribution in the state, based on the characteristics of service/manufacturing, dollar sales, and sales force size, to participate in the study.
- These companies employed non-retail sales forces.
(That is, the study did not include organizations with only a retail sales force).
- Based on the replies from firms that were willing to be interviewed, structured personal interviews with open-ended questions were conducted on 44 respondents, each from a different company, who personally identified themselves as individuals responsible for SFA efforts at their operations.
- Based on the information from 42 respondents, 45 per cent (19) of them were either president or vice president of sales, 33 per cent (14) were regional/divisional sales managers, and the remaining 22 per cent (9) held training or human resources positions.

- The first ten interviews were conducted face-to-face at the respondents' companies. The remaining 34 interviews were conducted over the telephone.
- The sample consisted of firms of various sizes from a variety of industries. The two major classifications were manufacturing (both industrial and consumer products) and service firms.
- The firms had annual sales that ranged from \$650,000 to over \$5 billion. The mean sales level was \$176 million.
- Based on responses of 43 firms, 67 per cent (29) had a direct sales force, 19 per cent (8) had an indirect sales force (e.g. independent sales representatives and brokers), and 14 per cent (6) had both direct and indirect sales forces.
- The size of the firms' sales forces ranged from 1 to 3,500, with a mean of 257 and median of 50 salespeople.
- The average age of the sales force ranged from 25 to 50 years old with a mean age of 37 years.
- The length of sales experience per sales person ranged from 2 to 20 years with a mean level of 9.9 years.
- The length of time the firms had been in business ranged from 3 to 125 years with a mean of 54 years.

The findings:

- The responses of four interviewed firms were excluded from the study because these firms were in the conceptual phase of SFA and could not respond to most questions.
- Hence, the findings were based on usable responses from 40 firms, giving a usable response rate of 40 per cent of the initial sample of 100 firms approached.
- Results were classified into three sections: goals and expectations, implementation, and outcomes.

(a) Goals and expectations (see Table 2.1)

- Improving an organization's efficiencies was the most identified goal, mentioned by 72 per cent of the respondents. But only a few were able to identify specific areas that were targeted for improvement.
- Almost half of the respondents indicated improving customer contact as a goal. Specific tasks were identified within this context.
- Although increasing sales and decreasing costs were identified as goals by 33 per cent and 26 per cent of the respondents respectively, few specifics on how these were to be achieved could be offered.

- Either management or sales representatives was perceived to be the primary driving force behind the SFA effort, mentioned by 43 per cent and 40 per cent of the respondents respectively .

Table 2.1: Determining Goals

Questions/Responses	Percent of Cases (n = 40)
What were the <u>organization's goals</u> in automating the sales force? (Note: Possible to have more than one response)	
Improve efficiencies	72
Improve customer contact	44
Increase sales	33
Decrease costs	26
Improve accuracy	21
Who or what was the <u>primary driving force</u> behind the SFA effort?	
Management	43
Sales reps	40
Combination of above	10
Competition	5
Clients	2
Total Percent	100

(b) Implementation issues

- The Information Systems (IS) Department was identified as the other unit (in addition to sales) which accepted responsibility for the SFA effort by the most number of respondents (see Table 2.2).
- Despite a heavy reliance on the IS Department, all the firms had bought commercially available software, as opposed to developing their own in-house.
- The length of time the firm had been automating the sales force ranged from 2 to 25 years, with a mean of 6.4 years and a median of 5 years.
- The costs for automating the sales force of 35 firms ranged from \$2,000 to \$17,500, with a mean cost of \$8,806 and a median of \$10,000. Five respondents were unable to answer this question. Several firms with cost estimates below \$4,000 commented that the sales force was responsible for purchasing its own computers.
- The most popular technologies used in the SFA effort were fax machines (93 per cent), followed by cell phones (80 per cent), laptops and Internet usage (68 per cent each) (see Table 2.2).
- For sales force training incorporated in the SFA effort, training on database and contact management software was conducted by the most number of firms, followed by training on presentation software, and sales training incorporating technology specific to SFA (see Table 2.2).

25 per cent of the organizations provided no form of training to support their SFA efforts. Having no SFA training was one characteristic common to the majority of respondents who indicated that their organization did not achieve their SFA goals.

Table 2.2: Implementation Issues

Questions/Responses	Percent of Cases (n = 40)
What <u>other units</u> * accepted responsibility for the SFA efforts?	
Information systems (IS) only	50
Internal team	28
IS and accounting	17
Vendor	5
Total Percent	100
What <u>technologies</u> were used in your SFA effort? (Note: Possible to have more than one response)	
Fax machine	93
Cell phone	80
Laptop	68
Internet usage	68
CD ROM (i.e. data storage and retrieval)	55
EDI	43
What <u>type of training</u> was incorporated in the SFA effort? (Note: Possible to have more than one response)	
Database & contact management software	60
Presentation software (i.e. PowerPoint)	45
Sales training (i.e. incorporating technology specific to SFA)	10
No training was conducted	25

* Refers to units in addition to sales.

(c) Outcomes

Organizational changes (see Table 2.3)

- Record keeping activities and communication with the client were more likely to be impacted by SFA than were prospecting activities.

Table 2.3: After Automation Activities

Questions/Responses	Percent of Cases (n = 40)		
	Prospecting	Communication	Record keeping
After automation, how do you perform <u>prospecting activities</u> , <u>client communication</u> and <u>record keeping activities</u> ?			
Manual only	58	28	20
Electronic only	17	17	80
Both methods	25	55	-
Total Percent	100	100	100

SFA benefits, experiences, and changes (see Table 2.4)

- Positive experiences included improved access to information and faster turnaround in the sales process.
- Negative experiences included lengthy training times, implementation problems, high costs of SFA, and the level of frustration experienced by the sales force during the SFA changeover.
- With regard to how SFA had most changed the firm, increased communication with the client and no significant changes were most frequently cited.

Table 2.4: SFA Benefits, Experiences, and Changes

Questions/Responses	Percent of Cases (n = 40)
As a result of SFA, what are some <u>benefits</u> experienced by the <u>sales force</u> ? (Note: Possible to have more than one response)	
Improved access to information	80
More efficient	36
Other reasons	20
Have more time with client	15
As a result of SFA, what are some <u>benefits</u> experienced by the <u>client</u> ? (Note: Possible to have more than one response)	
Improved access to information	60
Faster turnaround	50
Improved service and/or quality	45
What are some <u>positive outcomes</u> as a result of SFA? (Note: Possible to have more than one response)	
Improved communication with customer	65
More efficient sales force	51
Faster revenue generation	27
Better monitoring/forecasting of sales	16
What are some <u>negative outcomes</u> as a result of SFA? (Note: Possible to have more than one response)	
Lengthy training time	48
Implementation problems	48
High cost of SFA	34
Frustrated sales reps	32
Constant technology upgrades	21
How has SFA <u>most changed the firm</u> ?	
Increased communication with client	40
No significant changes	30
Improved turnaround times	15
More informed than competitors	8
Negatively	7
Total Percent	100

Goal achievement

- 80 per cent of the respondents informed that the goals of SFA had been met, while 20 per cent indicated otherwise.

Unexpected problems and outcome evaluation practices (see Table 2.5)

- The largest segment (40 per cent) indicated that they could not identify any unexpected problems encountered during the SFA process.
- For organizations that reported that they did not achieve their goals, they experienced two forms of unexpected problems: training issues (which was the most unexpected problem identified by 75 per cent of such organizations) and implementation problems.
- To support financial investment in SFA, 66 per cent of the firms experienced increases in sales units' operating budgets, 29 per cent had no changes and 5 per cent reported a decrease in their budget after SFA.
- But with such a significant level of investment, 50 per cent of the firms had not attempted any form of evaluations of SFA outcomes.
- Most of those firms that did conduct evaluations used a combination of measures, such as change in sales, and client and sales representative surveys.

Table 2.5: Outcome Issues

Questions/Responses	Percent of Cases (n = 40)
What was the <u>biggest unexpected problem</u> the organization encountered during the SFA process?	
No unexpected problems were encountered	40
High costs of training	20
Hardware/software problems	15
Increased turnover of reps	15
Reps resistance to change	10
Total Percent	100
How have you <u>evaluated the outcomes</u> of the SFA process?	
No attempt is made at evaluation	50
Use a combination of measures ^a	25
Change in sales	18
Client surveys	5
Rep surveys	2
Total Percent	100

^a Includes change in sales, client and representative attitudes.

Perceived satisfaction with SFA efforts (as addressed from management's perspective) (see Table 2.6)

- About 80 per cent of the management and sales force were perceived as being somewhat or very satisfied with the SFA efforts.
- But management's perception of customer satisfaction was lower. Respondents frequently commented that, in many cases, customers were not impacted nor did they have any reason to be aware of any changes.

Changes if there is an opportunity (see Table 2.6)

- With regard to what their firm would do differently next time, better planning was the most often suggested improvement, indicated by 38 per cent of the respondents.

Table 2.6: SFA Satisfaction and Changes

Questions/Responses	Percent of Cases (n = 40)		
	Management	Sales force	Customer
How <u>satisfied</u> are people with the SFA efforts?			
Very satisfied	43	30	35
Somewhat satisfied	42	50	15
Neutral	10	15	50
Somewhat unsatisfied	5	5	0
Very unsatisfied	0	0	0
Total Percent	100	100	100
What one thing would you do differently?			
Better planning	38		
Nothing	17		
Better implementation	15		
Better budgeting	13		
Better training	10		
Start sooner	7		
Total Percent	100		

Conclusions:

- The firms included in this study are generally pleased with their attempts at SFA. In most cases, goals have been set and appear to have been achieved.
- But half of the respondents indicated that they had made no attempt at evaluating outcomes.
- Implementation was generally accomplished without inconvenience to the client, but not to the sales force.
- Respondents generally believed that better planning and training would have helped them overcome most SFA problems.

Managerial implications:

(i.e. how to improve the adoption of sales force automation practices)

(a) Identification of Goals and Objectives of SFA

- Organizations need to be as explicit as possible in their planning efforts, in terms of details regarding formalized goals and objectives of sales force automation.

An example of why this is important

Goals such as increasing sales and decreasing costs may actually be by-products of improving efficiencies.

(b) Identification of Critical Implementation Issues

- Having a competent and insightful Information Systems (IS) department appears to be a vital element in the implementation of SFA.
- Managers should be prepared for increased developmental and continuing costs in SFA efforts.
- SFA is a team effort:
 - Organizations should incorporate a team approach in planning their SFA efforts.
 - Managers must be prepared to work with other departments prior to, during implementation, and for the duration of the project.
 - Departments should include representatives from information technology (software and hardware), telecommunications and accounting, in addition to the more obvious connections with marketing, customer service, operations and delivery.
 - This team relationship may help in identifying the hidden or less obvious costs associated with SFA and lead to more accurate budgeting.
- Training to support SFA needs to become a priority.
Budgets need to reflect the realities of the cost of training.

(c) Identification of Outcomes of Automating the Sales Process

- Immediate, thorough access to information by both the client and sales representative is a necessary outcome. This goal should be articulated and evaluated regularly.
- Develop evaluation measures for SFA outcomes.
Astute managers need to be in a position to justify their SFA investments both to senior management and their own sales force.
- Involve a multi-disciplinary team in the initial planning process of SFA.
 - Include groups whose input is often overlooked, such as new hires, senior sales representatives, and customer groups.
 - Get sales personnel involved at the first planning meeting.

(ii) **Source:** Buehrer, Richard E., Senecal, Sylvain, Pullins, Ellen Bolman (2005, *article in press, corrected proof*), "Sales force technology usage – reasons, barriers, and support: An exploratory investigation," *Industrial Marketing Management*, forthcoming.

- This research provides us with some empirical evidence of sales force automation from the perspective of salespeople engaged in industrial sales.

- The first part of this research consists of a qualitative study involving face-to-face interviews and a small-scale, open-ended survey conducted to explore the broad themes of the research.
- The second part of this research consists of a larger scale survey of opened-ended questions that was conducted to validate the findings of the qualitative study. The findings of the larger scale survey are summarized below.

The sample:

- The larger scale survey was web-based and was posted on a hyperlink that was emailed to salespeople of two companies:
 - 53 salespeople from an international steel producer;
 - 165 salespeople from an international industrial equipment manufacturer.
- The salespeople were chosen through convenience sampling.
- 130 salespeople – 35 from the steel company and 95 from the industrial equipment company – completed the survey, giving a response rate of 60 per cent. Their responses were sent directly to the researcher.
- 95 per cent of the respondents were male. 67 per cent of them were aged from 31 to 50 years. 72 per cent had college degrees.
- On the average, the respondents had been working for their current employer for 9 years and had been in sales for 13 years.

Relevant parts of survey:

- In the survey, salespeople were asked to list, in order of importance:
 - The top three reasons why they use technology;
 - The top three barriers at their company towards using technology;
 - The top three things that their company could do to increase technology usage.

The findings:

(a) Reasons for using technology (see Table 3.1)

- Being more productive and more efficient was the top reason given by salespeople for using technology. It appeared 29 per cent of the time among respondents' top three reasons.
- Saving time was the second most often cited reason, followed by improved communication with customers.
- The fourth most often mentioned reason was that technology was used because management required it.

Table 3.1: Top 3 Reasons why salespeople use technology (in order of importance)

	No. 1	No. 2	No. 3	Total	Percent	Rank
More productive/efficient	50/127	31/126	27/120	108/373	29.0	1
Saves time	32/127	25/126	8/120	65/373	17.4	2
Better customer communication	20/127	19/126	16/120	55/373	14.7	3
Required by management	20/127	2/126	9/120	31/373	8.3	4

(b) Barriers to technology usage (see Table 3.2)

- The most frequently stated barrier was the lack of technical and management support, being cited 25 per cent of the time by respondents.
- The second most often listed barrier was the lack of training, followed by the lack of money.

- The above-mentioned top three barriers are external barriers.
- The fourth most often mentioned barrier was an internal barrier – the time required to learn and use technology.

Table 3.2: Top 3 Barriers towards using technology (in order of importance)

	No. 1	No. 2	No. 3	Total	Percent	Rank
Technical/Management support	27/116	27/109	26/95	80/320	25.0	1
Training	20/116	26/109	18/95	64/320	20.0	2
Money (lack of)	30/116	18/109	11/95	59/320	18.4	3
Time required (to learn and use)	16/116	9/109	14/95	39/320	12.2	4

(c) Management support (see Table 3.3)

- Training was the most frequently mentioned thing that companies could do to increase technology usage. It was cited 29 per cent of the time by respondents.
- Equipment issues were the next most often mentioned elements that companies could improve, namely better hardware (e.g. laptops, etc.) and better software (e.g. SFA system).
- These were followed by improvement of technical support and additional money investments.
- The survey results show that providing better resources and support are important in encouraging SFA usage by salespeople.

Further implication:

In order to secure a continuous usage of technology by salespeople, firms must continue their support effort after the initial SFA system implementation, i.e. support activities must be viewed as on-going activities that address an underutilization problem where a costly technology is in place but is not used to its full potential.

Table 3.3: Management Support – Top 3 things that companies could do to increase technology usage (in order of importance)

	No. 1	No. 2	No. 3	Total	Percent	Rank
Training	38/121	33/108	23/93	94/322	29.2	1
Better hardware	21/121	17/108	11/93	49/322	15.2	2
Better software	24/121	13/108	9/93	46/322	14.3	3
Technical support	14/121	9/108	4/93	27/322	8.4	4
Money	7/121	2/108	7/93	16/322	5.0	5

XI. A study on Thailand

Source: Larpsiri, Ravipa, Speece, Mark (2004), “Technology integration: Perceptions of sales force automation in Thailand’s life assurance industry,” *Marketing Intelligence & Planning*, 22 (4), 392-406.

- This study investigates perceptions of sales force automation among salespeople and their customers in the insurance industry, which is a high involvement service industry, in Thailand.

Main message from this study's findings:

- Customers want technology to be integrated into interpersonal relationships, not to replace them. Most customers, even those with extensive IT background, are not willing to interact with technology-based self service only.
- Much of the relationship with the company comes from trust in the salesperson, which is built up through the development of the relationship. This is probably more important in the relationship-based cultures of Asia.

The Thai culture:

- High-context culture, with strong femininity and collectivism (Hofstede, 1994).
- Politeness is a key culture value.

The sample:

- As research on SFA in the context of an Asian country was exploratory, qualitative research method in the form of semi-structured in-depth interviews was used.
 - The sample is small and hence we should not over-generalize from the study's findings. Nevertheless, the study offers useful insights on how firms in high-level financial services in Asia should utilize and manage sales force technology to enhance competitive advantage.
- All respondents were aged from 25 to 45 years.
- The researcher used some judgment to choose respondents who represented the middle class with education of at least a bachelor's degree, in order to make sure that they would be at least somewhat "technology-educated", so that it would be feasible to explore their perceptions of SFA.

Selected from the two largest insurance firms in Thailand are:

(a) Salespeople

- Five salespeople who had assumed some managerial responsibility were interviewed face-to-face for 60 to 90 minutes each.
- Five full-time salespeople who had no managerial duties and spent most of their time in the field were interviewed through the telephone for 45 to 60 minutes each, using the same set of questions.
- Four of these ten salespeople were women. Half earned more than 100,000 Baht per month, representing high sales performance in the Thai context.
- All ten of them had adopted technology applications like laptops and personal digital assistants (PDAs) in their sales jobs for one to two years.

(b) Customers

- Ten customers who bought insurance policies from the five full-time salespeople were interviewed.

- They were equally divided by gender, with technology experience (which mostly meant using computers and the Internet in their jobs) ranging from five to 15 years.

The findings:

(a) Salespeople's perceptions of SFA usage

- **SFA enhances customer orientation**

- All the salespeople viewed technology applications like laptops or PDAs as helping them to more effectively communicate product benefits to customers through interactive presentations. These technology applications also give them quick access to databases, allowing them to quickly get proper data to help address customers' questions and problems, which may increase the salespeople's credibility in the customers' minds, and ultimately, the trust they place in the salespeople.

- They were also satisfied with other common technology applications like cellular phones and fax machines, which could reduce the time to deal with customers and give them easier contact with the office and customers.

- **SFA enhances perceptions of competency and honesty**

All the salespeople felt that salespeople who used laptops or PDAs in their sales approach would be viewed as more professional because:

- They could provide interesting presentations and quick, accurate responses to demonstrate the various types of insurance premium payments without wasting time and carrying a lot of paper.

- There is less error in the information provided to clients, compared to the traditional sales approach.

- SFA helped them better manage routine jobs, such as appointment times with customers.

The use of SFA technology helped them in demonstrating commitment to customers, and led to enhanced assurance among customers about their honesty.

- **SFA supports relationship development**

- All the salespeople viewed SFA applications as supporting instruments in sales activities, and did not believe that technology could replace salespeople.

- SFA is not enough to encourage customers to make decisions about buying an insurance policy faster. Human interaction still plays a crucial role.

- **SFA is not meant to facilitate "hard selling" of insurance products**

- The salespeople did not use technology applications automatically nor early with customers (e.g. from the first meeting with the client) because it was considered a "hard sell" tactic by doing so.

Instead, building relationships must come first.

- The salespeople used their judgment about customer's technology acceptance/readiness and adapted how much technology to show/use, so as to make sure that technology application would enhance and not destroy customer relationships.

(b) Customers' perceptions of SFA

- Customers are receptive to salespeople who use technology
 - Most customers were happy to see salespeople use technology applications during the interpersonal interaction.
 - They strongly agreed that technology could help salespeople in identifying, remembering, and following through on customer requests, and maintaining regular contact with customers.
 - They perceived that salespeople looked more professional when they used technology applications in their work, believing that technology helped reduce waiting time for information in the interaction.
- Customers are dissatisfied with strong selling orientation
 - Customers (including those who were very familiar with the technology) were dissatisfied with salespeople who used SFA applications in their first appointment. To them, very early use of SFA applications represents a hard-sell approach.
 - They want the human relationship with salespeople.
They felt that salespeople should create a sense of closeness, familiarity, and ease in the relationship before getting to the detailed sales topic.
- Self-service technology cannot replace salespeople
[Note: This extreme form of SFA, in which technology replaces salespeople completely and customers interact with the firm entirely through the Internet, had not existed for life assurance in Thailand at the time the study was conducted. Hence, this part of the research is strictly based on the customers' perceptions and not actual experience].
 - None of the customers indicated any willingness to buy insurance over the Internet.
 - All of them perceived the stand-alone self-service technology as much more risky than the traditional form of interaction with salespeople.
 - For a product like life assurance that is perceived by customers as a long-term investment, trust in the salesperson is important. Customers prefer to interact with salespeople who can provide advice and recommendations to reduce their perceived risk.
 - But some customers would use the Internet as an information source for insurance. Frequently, this is company information for gaining more reassurance about the company, and less likely to be for detailed product information.
 - The customers' view is that self-service technology like the Internet does not provide sufficient information to make decisions for life assurance. The Internet can supplement but not replace information obtained from the salesperson.

Conclusions:

- Firms must develop salespeople's skills to fully utilize SFA, and much of this skills development is not about technical issues.
- Instead, mastery of the basic selling skills needed for true customer orientation and relationship building are critical for most effective employment of technology.

- In the Thai context, SFA technology cannot be treated in isolation. When using it, it must be integrated into interpersonal interactions well for customers to respond positively. This also applies to dealing with customers who have strong technology background.
- The salesperson him/herself plays an important role in this integration. SFA integration is about using SFA to enhance the relationship between the salesperson and the customer, not to replace the salesperson, at least for high involvement services like life assurance. Salespeople need to build trust with customers.
- Using the Internet as a stand-alone transactions channel for sales in financial services (i.e. to replace salespeople) has not been very well accepted in Asia yet. The findings of this study reinforce the importance of interpersonal relationships in Asian developing countries like Thailand.

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APPENDIX. ASIAN NAMES PRONUNCIATION GUIDE

CANTONESE

Chinese, strictly speaking, does not have any basic vowel sounds. The tone range is too wide to define. It is not like the ones of Mandarin. The pronunciation can vary a lot with the tone range from high to low; in fact, even the same words can have different meanings with different pronunciations. It is really a big task to learn and know Cantonese well.

Chinese names are made up mostly with three characters. It is not very common to have two characters in a Chinese name. However, one can easily see a Chinese name made up with two characters in Mainland China regions or in Taiwan.

Interesting tips

In Chinese culture, there are five most common last names: [Chan](#), [Lee](#), [Cheung](#), [Wong](#), and [Ho](#). One has to be especially careful in pronouncing the last names. Each character has only one syllable instead of two. Yes, it is harder to pronounce correctly. Since it is not like the Mandarin tone that one can easily catch the pronunciation.

For example: [Leung](#) one should just pronounce in one tone with slightly upper sound. It is a mistake to pronounce as "Lee-un." Same cases with "[Cheung](#)", and "[Yeung](#)." As for some usual first and middle name, there are unlimited combinations of mixing the first name with the middle name. For example: Mei-Wah, one can switch it to "Wah-Mei" too. Or there may be Mei-Yee, Shuk-Yee, Wing-Yan, Yan-Yan, and so on.

First Names	Cantonese	Last Names	Cantonese
Chi-Kung	chee-kahng	Au	ngahoo
Chi-Man	chee-mahn	Chan	chan
Ka-Ling	gah-leeng	Cheung	chehung (light g)
Kok-Wing	kaw-wing	Fong	fahng
Lai-Ying	ly-ying	Ho	haw
Mei-Yee	may-yee	Hui	hahyoo
Pui-Pui	puhyee-pahyee	Koo	goo
Sau-Ha	sow-han	Lai	ly
Shuk-Yee	suh-yee	Lam	lam
Sin-Feng	sin-fuhng	Lau	lau
Siu-Kao	seeyoo-kayoo	Lee	lee
Tak-Wah	duh-wah	Leung	leuhng (light g)

Wai-Keung	wy-kuhung	Mok	mau
Wai-Ling	wy-ling	Ng	mg
		Poon	poo-in
		Sin	see-in
		Sung	sohng
		Tam	tam
		Tang June 22, 2005 duhng (light g)	
		Tse	tseh
		Wong	wong (light g)
		Yeung	yuhung (light g)
		Yip	yihp

Source: <http://www.csupomona.edu/~pronunciation/cantonese.html>

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