Salesforce incentive within organizational life cycle: A transaction cost analysis

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Abstract. This paper takes an integrated view of Transaction Cost Analysis (TCA) in order to study the design of incentive compensation plans in salesforces and develops a framework of incentive compensation match to organizational life cycle. In essence, this article argues different incentive strategy, such as outcome, behavior and clan incentive control, can create different effort effect for salesforce in each stage of organizational life cycle. Three types of incentive compensation based, output, process and socialization, are proposed respectively in each stage of organizational processes. Implementing different types of incentive compensation criterion to motive salesforce to execute the corresponding strategy of organization can be built.

Keywords: Transaction cost, salesforce control, organization life cycle, incentive compensation

1. Introduction

Sales departments are increasingly relying on salesforces for producing important activities and processes that improve organizational performance. Many companies are beginning to appropriately view employee rewards as an important investment, rather than one of their largest expenses [13]. Sales managers are concerned with salesforce’s performance – the accumulated end results of all the organization’s work processes and activities. It is a complex but important concept, and managers need to understand the factors that contribute to high organizational performance. Thus, linking compensations, result, and salesforces motivation may be most value-added human capital strategy.

Sales person serves as the company’s personal link to the customers. The sales representative (rep) represents the company to many of its customer. It is the sales rep who brings back much-needed information about the customer. Therefore, the company needs to carefully consider issues in salesforce design [27]. To attract top-quality sales reps, the organization has to develop an attractive compensation package. In the meantime, every financial institution on the basis of its mission is unique, and one approach to rewarding and motivating employees does not fit all organizations forever [31]. Thus, one type of salesforce compensation does not match all stages of an organization in its life cycle.

Several major theoretical approaches relevant to the compensation control of salesforce are transaction cost analysis (TCA), agency theory (AT), organization theory (OT), and cognitive evaluation theory (CET). Applications of TCA have become fairly common in the general marketing literature, especially in the salesforce management paper. Many efforts have been made to study salesforce compensation plans (see Raju and Srinivasan [16]; Joseph and Kalwani [17]; Joseph and Thevarajan [18]; Lal, Outlan and Staelin [28]; Albers [30]). However, many of these studies have only focused on the choice of governance modes of markets and organizational hierarchies, but few researchers pay attention to the organizational life cycle area.

The primary objective in this paper is to propose a framework for selecting an appropriate salesforce con-
control system as it affects the job-related knowledge, motivation, behavior, and sales outcome of salesperson. The analysis draws from economics theories of control (e.g., TCA). We elaborate current viewpoints on salesforce control, and integrate TCA perspectives about the compensations controls on the salesforce with organization life cycle. In the following, the article briefly reviews in Section 2 the relevant literature on TCA, salesforce control system, and organizational life cycle. In Section 3, we develop a framework of incentive compensation match to organizational life cycle from the TCA perspectives. In Section 4, the article concludes with a summary and some suggested directions for future research.

2. Literature review

2.1. Transaction cost

Williamson [24–26] suggested that transaction costs include both the direct costs of managing relationships and the possible opportunity costs of managing inferior governance decisions. Rindfleisch and Heide [1] indicate that Williamson’s microanalytical framework rested on the interplay between two main assumptions of human behavior (i.e., bounded rationality and opportunism), and two key dimensions of transactions (i.e., asset specificity and uncertainty). Specifically, Rindfleisch and Heide [1] address the operationalization of TCA’s key dependent (i.e., governance structure) and independent (environmental uncertainty, behavioral uncertainty and asset specificity) constructs.

Environmental uncertainty creates an adaptation problem. In some organizational process the sales environment is volatile and complex, making forecasting difficult. Complex, little known, turbulent circumstances (environmental unpredictability) make it difficult to manage under either outcome or behavior models. Uncertainty may be increasing the opportunity cost, and transaction costs may arise in the form of direct or opportunity costs [1]. The associated transaction costs include the direct costs of communicating new information, renegotiating agreements, or coordinating activities to reflect new circumstances. In addition, behavioral uncertainty gives rise to a performance evaluation problem. To the extent that a party’s true level of performance is not readily apparent, direct measurement costs may need to be incurred [1]. For example, a reward the firm considers performance through the outcome (e.g., sales volume) mechanism is feasible to assess and create a low measurement costs. However, in such circumstances, rewards can not be unambiguously linked to results. When performance cannot be assessed easily, using behavior based can be inefficient because it is not known what to reward and how. Anderson [9] claimed the organizations can reduce (though not eliminate) the problem by monitoring behavior (e.g., input process) and using subjective assessments as the basic of rewards. This situation occur when output measures are unreliable or invalid, perhaps because records are inaccurate or no readily observable indicators of what a firm means by performance exit. Furthermore, Williamson [22] has identified six main types of asset specificity: sit specificity, physical asset specificity, brand name capital, dedicated assets, and temporal specificity. Transaction-specific assets are also of a human nature in the form of special-purpose knowledge and working relationships. In this paper, we focus on human specific assets such as professional skills, specialized know-how and customer relationship.

To the best of our knowledge, the only study to date that direct investigates the salesforce control based is provided by Anderson and Oliver [8]. In this study, Anderson and Oliver uses TCA to develop a set of variable included environmental (e.g., volatility), firm (e.g., salesforce size, outcome/behavior measurement, salesperson (e.g., experience/specialization to firm, motivation preference), and all other circumstances, to determine when the control base should be used under TAC (see Anderson and Oliver [8]). Table 1 modifies from Anderson and Oliver [8] in which recommended incentive control strategies based on transaction cost perspectives.

2.2. Salesforce incentive system

A transaction cost perspective of organizational control has many meanings and has been interpreted in many ways. A control system is an organization’s set of procedures for monitoring, directing, evaluating, and compensating its employees. By accident or design, such a system influences employee behavior, ideally in a way that enhances the welfare of both the organization and the employee. Anderson and Oliver [8] claim that one group of employees critical to the organization’s functioning is the salesforce. Forms of incentive control systems used in salesforce can be classified into those monitoring the final outcomes of a process and those monitoring individual stage (e.g., behaviors) in the process [19]. One of the most popular theoretical
Table 1

<table>
<thead>
<tr>
<th>Situations</th>
<th>Incentive control strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental uncertainty:</td>
<td></td>
</tr>
<tr>
<td>High volatility, ability to control</td>
<td>Outcome</td>
</tr>
<tr>
<td>High volatility, inability to control</td>
<td>Behavior</td>
</tr>
<tr>
<td>Firm (organization):</td>
<td></td>
</tr>
<tr>
<td>Small salesforce size</td>
<td>Outcome</td>
</tr>
<tr>
<td>Inaccurate measurement in outcome</td>
<td>Behavior</td>
</tr>
<tr>
<td>Unknown transaction process measurement in behavior</td>
<td>Outcome</td>
</tr>
<tr>
<td>Salesperson:</td>
<td></td>
</tr>
<tr>
<td>Experience</td>
<td>Behavior</td>
</tr>
<tr>
<td>Professional skills</td>
<td>Behavior</td>
</tr>
<tr>
<td>All other circumstances</td>
<td>Outcome</td>
</tr>
</tbody>
</table>

Source: Modified from Anderson and Oliver (1987), p. 82.

frameworks used to study the decision for salesforce of compensation plans is TCA. We describe three major salesforce control (incentive) systems and discuss the effect of these systems on the salespeople’s motivation and behavior.

In an outcome incentive control systems the organization involves little monitoring, managerial or effort to direct salespeople, and straightforward objective measure of results (outcomes), rather than measures of the methods salespeople use to achieve results, are used to evaluate and compensate the salesforce. Historically, salesforce manager and the performance appraisal systems used by managers have tended to emphasize outcome rather than behaviors [12], particularly in determining compensation. A major reason is the availability of simple, seemingly equitable measures of sales volumes or dollars, and it is very commonly used in practice [3]. Other widely used sales volume are gross margin, net margin (sales minus the cost of the sales person), and the sales expense or cost/sales ratio. Therefore, many managers prefer to let their salespeople use their own methods, when organization during the early stages. Albers and Lal [21] suggest that the compensation proportion should increase with an increase in transaction-specific assets, the difficulty of evaluating salespeople’s performance, environmental uncertainty facing sales manager and the size of the salesforce size. The implication is that outcome incentive control is desirable and hence likely in very small salesforces [8], the manager will give a variety of actively of sales people free rein and hold them accountable for the outcomes.

On the other hand, in behavior incentive control a considerable monitoring of salespeople’s activities and results; high levels of management direction of and intervention in the activities are involved. The firm take a more complex methods based largely on selling take (e.g., product knowledge), salespeople’s activities (e.g., number of calls), and their sales strategies, rather than sales outcome, are used to evaluate and compensate the salesforce. A noted, behavior incentive control systems address the process of selling rather than simply the outcome [8], sales managers, backed by a significant management information gathering staff, vigorously monitor and direct the operations of the salesforce. In such systems, managers can direct salespeople to perform certain behaviors as part of organization strategy without the necessity of convincing each salesperson that the strategy is valid. One example is to maintain a market focus, salespeople should know how to analyze sales date, measure market potential, gather market intelligence, and develop marketing strategies and plans. In short, behavior control enables organization to execute salesforce strategies that involve development work and/or certain behaviors consistent with organizational strategy. If the firm link through the salary component and the right to monitor activities, management should be able to influence an employee’s behavior considerably.

Organization theory (i.e., Anderson and Oliver [8]) addresses if the transformation process is known, sales managers can prescribe behavior, making behavior control feasible, TCA do acknowledge circumstances in which behavior incentive control is appropriate. One such situation is when a salesperson’s experience with the organization creates valuable specialized knowledge and working relationships (i.e.,
“transaction-specific assets”). For example, the salespeople may come to possess valuable knowledge of the applications of the brand, working relationships, with accounting and shipping personal, and close tie to customers. Therefore, salespeople in such systems may be evaluated and compensated on any number of factors that are not themselves measures of achievement but may result in sales performance. Personable ness, product knowledge, services performed, closing ability, presentation quality, number of active accounts, calls made, amount of correspondence, and says worked are common [8].

There is a third type of incentive control system the “clan control” was recommended by Eisenhardt [19] and Ouchi [32]. Clans represent control by neither outcome nor behavior, but by socialization. Whereas output and behavior incentive control can be implemented through a market or a bureaucracy, ceremonial forms of control can be implemented through a clan (e.g., informal social structure). Because ceremonial forms of control explicitly are unable to exercise monitoring and evaluation of anything but attitudes, values, and beliefs, and because attitudes, values, and beliefs, are typically acquired more slowly than are manual or cognitive abilities, ceremonial forms of control require the stability of membership which characterizes the clan (see Ouchi [32]). The critical elements seem to be a warm, humanistic work atmosphere, promotion from within, long-term employment, generous pay, and support and encouragement of each individual. The objective of a clan is to inspire loyalty to the point of identification with organization and its goals. TCA address the value of providing a “satisfying exchange relation” including promotion from within, long-term employment, to individuals who have become valuable because of their transaction-specific assets [23]. The organization can add to that a variety of incentives such as promotion desirable transfers, a satisfying work environment, perhaps the company’s prestige, job security, and so forth. We can modify and summarize these in Table 1.

2.3. Organizational life cycle

The organizational life cycle describes the stages of growth and development of an organization. The life cycle analogy is developed in order to explain the development of organizations over time [20]. The earlier literature on organizational life cycles is theoretical rather than empirical, and authors differed about the number of stages of the life cycle [6]. Different authors emphasized a unique set of characteristics found in each stage of their life cycle models. However, what is important is that, regardless of the numbers, these stages are: (i) sequential in nature; (ii) occur as a hierarchical progression that is not easily reversed; and (iii) involve a broad range of organizational activities and structures [6].

In general, organizational life cycle models assume that an organization goes through inception to growth, maturity and decline or redevelopment. And a specific critical issue that requires decisive action from management and results in the transition from one stage to the other categorizes the life cycle stages. Quinn and Cameron [15] show the stages of the organization life cycle include start-up, growth, maturity, and decline. There is evidence to show that the form of compensation change (e.g., salesforce control) to fit the life cycle stage [6]. For example, as organizations at early stages of their life cycle face strong cash demands to finance capital expansion [2]. The organizational life cycle can provide some insights that let us predict when organizations are most likely to use salesforce control and incentive.

Furthermore, organizational contingency theory suggests that an organizational outcome is the consequence of a “fit” or match between two or more factors. Within a contingency framework, compensation systems represent an opportunity for organizations to communicate to employee the behaviors and outcomes that are valued by it [14]. For example, a compensation system with provision for outcome or behavior control based pay communicates to employees that collective organization’s value. Therefore, if the environment changes the organization must adjust its systems to fit with the changed environment. TCA blends organization theory to offer a powerful explanation of why different structures are selected by managers and their environment to coordinate exchange [10]. It pays particular attention to the costs of running the system – negotiating, assembling information, and monitoring performance.

In organizational analysis, the concept of modeling life cycle stages has been linked with various organizational processes. The manner in which the organization addresses these critical issues can play a key role in the success or failure of the organization [5]. During start-up stage, the organization is only a few products in place and is characterized with the founder bearing the responsibility of managing all aspects of the company. The organization is involved in established its position in the market place, usually through techno-
logical advances, innovation or entrepreneurship [33]. The prime concern at this stage is to secure its financial resources in order to ensure its survival [4]. In this stage, organization lack obviously different incentive policies, it will be the chief incentive to attract the financial sources (e.g., increase the sales volume).

When the organization reaches the growth stage, it is a rapid expansion takes place. The organization is now capable of producing more than a few products. More emphasis is placed upon establishing rules and procedures and maintaining stability of the organizational structure [33]. In this stage, the organization is distinguished by a more formalized structure; focus on task performance, functional specialization and departmentalization. As the organizational structure develops a management hierarch and diverse functional unit (e.g., salesforce) due to its growth, this moment a greater need for integration to coordinate the work performed in different units and organizational level.

An organization enters the maturity stage (sometimes called stability stage) because of rapid growth and expansion. As the organization matures, this very same process of routine and bureaucratic reduces innovativeness and flexibility, and the ability to adapt to turbulent environments in the future. Another problem is that organizations tend to develop activity programs that replicate earlier successes, but the very existence of such programs creates enormous inertia. At this point, it is imperative for the founder to be able to delegate responsibilities in order for the company to survive [33]. At the decline stage, the organizational climate is characterized by unrealistic optimism, poor communication, commitment to past strategy, conformity, groupthink, over-conservatism and mistrust [33]. The organization’s rigid structure, resistance to change and political climate make it impossible to perceive important environmental changes. Moreover, the organizational structure, decision-making process and information management procedures no longer fit the organization’s need. For any organization, under the concept of going-concern, it won’t sit watching and let it move into decline even death position. An organization should try to restructure it and reform organizational processes and look for the new incepting stage of nest life cycle. Thus, the decline stage is also called redevelopment stage.

3. A suggested framework

The traditional organization pay system in the early research that recognizes only individual employee con-
tribution with pay based on merit or seniority is likely to discourage an important effect such as various organizational processes. There are many researchers have proposed that organizations progress through various stages in a life cycle as they grow and develop [7]. Recently, organization paid more attention to analyze salesforce compensation strategies to face the challenge of different operational environment. The perfection design of salesforce compensation will match different types of incentive reward to the each stage of organizational life cycle to create and sustain organizational advantage.

At the organizational level, forms of control systems used in salesforce evaluation and based on the monitoring of outcomes, behaviors or clan measurement appear to be key factors. From the perspective of TCA, there is no one best way to manage an organization; it will depend on the particular circumstances the organization facing. Therefore, different strategies (e.g., salesforce control) can be considered in each stage of organizational life cycle respectively [13]. Thus, it adds a unique TCA perspective to our analysis. In the following subsection we discuss these three approaches (the outcomes, behaviors and clan control) and their application to generate recommendations for the appropriate control system of salesforce compensation. Table 2 summaries the whole concept of this paper.

3.1. Start-up stage

During the start-up stage, an organization is just getting started and would be similar to entrepreneurship. The organization is involved in activities such as creating a formal business plan, searching for capital, and developing a product or service. Organizations at early stage of their life cycle face strong cash demands to finance capital expansion. There are few policies, products/services, or salespersons in marketplace. The compensation (e.g., salesforce reward) systems at the start-up stage most likely to emphasize individual-based policies (personal goals) such as individual salesperson salary or incentive reward by individual salesperson output value (e.g., sales volume, sales amount, and sales expense) that may be used to retain key personnel during the early stage of organizational growth. For example, under this stage, a salesperson is held accountable for their result (outputs) but not for how they active the results (input or behavior).

When an organization during the start-up stage, it will face both external and internal uncertainties.
highly. External uncertainty connotes the inability of an organization to predict future events, and it often results from the volatility of environmental conditions in an unfamiliar market, for example, the demand of customer, the strategies of competitor, etc. Internal uncertainty also manifests itself in an organizational deficient experience or knowledge of target markets. For example, sales experience/talent, the attraction of product, informational measurement and feedback, etc. When sales environments are high volatile (uncertain) and salespeople are readily replaceable, transaction cost analysis suggests outcome control is the most appropriate choice [8]. The criterion of an output compensation type is based on individual sales volume, sales amount and sales expense or cost/sales ratio, individual productivity, the marketing share of responsibility area, and profit contribution.

3.2. Growth stage

During the growth stage, organization focuses on producing, selling, and distributing its products for an increasing demand in the market. The organization is growing in products or services, customers, sales volumes and in the number of employees (e.g., a large salesforce), giving rise to a hierarchy and functional specialization in which employees’ roles are more differentiated from each other. In this stage, the size and complexity of operation increase obviously, so an organization needs many-sided, versatile, and high performance employees [13], to face a climb in sales and a more competition environment. When an organization is rapidly expanding and growing, there is a greater need for integration to coordinate the performance in different units and organizational level.

TCA (Williamson, [25]) concerns the question of when a function is more efficiently performed within an integration organization level, such as cooperation and the sharing information to reduce the coordinate transaction costs. We define a coordination structure as a pattern of decision-making and communication among a leadership (e.g., sales manager) who performs tasks in order to achieve organizational goals. When employees are intensively deployed in teams (function organization) of their time as team members, it will be difficult for pay administrators to disentangle individual employee contributions from those of team. In such a situation, the behavior control is likely to become the most salient means by which employees perform their task and make contributions to the organizational goal and objectives. The criterion of a process compensation type is based on product knowledge, services performed, closing ability, presentation quality, number of active accounts, calls made, customer satisfaction, good customer relationship, and reputation. Typically, salespeople are rated by managers on these variables, which then are combined into a composite evaluation upon which salary and promotion decisions are based [8].

3.3. Maturity stage

An organization at the maturity stage of the life cycle is experiencing slower and more consistent growth in its market. The organization has achieved its greatest size in its life cycle and is able to capture larger economics of scale, which translates into steady and predictable profits. As the organization matures the professional skill/expertise, specialized know-how, management information systems, various rules and procedures created a rigid structure, the compensation systems along with other administrative control systems are more likely to be a routine in order to take advantage of more predictable market environments. In the maturity stage, the organization is focusing on producing next-generation products that provide improvements to establish products/services that already enjoy good customer acceptance. At this time, internal senior and professional employees are important because they understand the evolution and problems of the organization behavior; however, they will inhibit the organization’s adaptability to changes in the market environment.

This stage normally lasts longer than the previous stage, and poses formidable challenges to organizational management. For instance, most products are in the maturity stage of the life cycle, and most marketing managers cope with the problem of marketing the mature product. The firms will be abandon weaker products and concentrate on more profitable products and new products. Hence, replaceability moderates the uncertainty/control system relationship in that high uncertainty (e.g., launch new product) and irreplaceable salespeople (e.g., senior and professional salesperson) suggest behavior control; otherwise, the recommended response to high uncertainty is outcome control. TCA acknowledges, as dose organization theory, the need or move toward behavior control when output measures are inadequate. Anderson [9] and John and Weitz [11] find strong support for this position. The criterion of compensation is based on a process or output type, for example, a new products or new markets using output type and a current products or current markets using process type.
### Table 2
A framework of salesforce incentive compensation in Organizational Life Cycle

<table>
<thead>
<tr>
<th>Stage</th>
<th>Start-up</th>
<th>Growth</th>
<th>Maturity</th>
<th>Decline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salesforce incentive strategy</td>
<td>Outcome</td>
<td>Behavior</td>
<td>Outcome or Behavior</td>
<td>Clan</td>
</tr>
<tr>
<td>Corresponding control type</td>
<td>Output-based</td>
<td>Process-based</td>
<td>Output-based or process-based</td>
<td>Socialization-based</td>
</tr>
<tr>
<td>Criterion element of incentive compensation</td>
<td>Individual productivity, marketing share, profit</td>
<td>Service quality, customer satisfaction, good customer relationship, reputation</td>
<td>Output-based: new products, new markets.</td>
<td>Desirable promotion, satisfying environment, the add value of company’s prestige, job security</td>
</tr>
</tbody>
</table>

### Table 3
Practical examples and recommendations for implementing TCA approach

<table>
<thead>
<tr>
<th>Process knowledge</th>
<th>Perfect</th>
<th>Imperfect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ability to measure outcomes accurately and completely</td>
<td>High</td>
<td>(1) Outcome or behavior control (Prospect for new accounts: new account program)</td>
</tr>
<tr>
<td></td>
<td>Low</td>
<td>(2) Outcome control (Store sales: women’s boutique)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(3) Behavior control (Outside salesforces: branch sale unit)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(4) Socialization “clan” control (Team work: involve products research and development)</td>
</tr>
</tbody>
</table>

In order to understand Table 3, let us agree, for the moment, that if we wanted to control an organization, we would have to monitor or measure something and that; essentially, things which we can measure are limited to the behavior of employees or the results, the outputs of those behaviors. In the first case, companies often specify how much time salesforce should spend prospecting for new account and set up prospecting standards for salesforce, thus we have a choice of either outcome control or of behavior control, for example; open new markets/accounts to increase sales volumes (output-based); meanwhile to maintain service quality, customer satisfaction with current markets/accounts (process-based). On the other hand, suppose that we are designing a control system for a high-fashion store sale (e.g., women’s boutique). What it takes to be a successful buyer or merchandiser is beyond our understanding, so we could not possibly hope to create a set of rules which, if followed by our buyers, would assure success. We can measure with precision, however, the average markdowns which each buyer’s leftover dresses must take, the average inventory turnover for each buyer, and the sales volume and profit margin of each buyer, thus giving us the alternative of an outcome control mechanism. In the third case, if we understand the technology (that is, the means-end relationships involved in the basic sell or service activities) perfectly, as in the case in a outside salesforce, then we can achieve effective control simply by having someone watch (e.g., in local manager’s eyes) the behavior of the salespersons: if all behaviors and processes conform to our desired transformation steps, then we know with certainty that proper salesforces are coming out the other end, even without looking. By specifying the rules of behavior and of process, we could create an effective bureaucratic control mechanism in this case. Finally, suppose that we are running a new product research at a large dollar team work. We have no ability to define that rules of behavior which, if followed, will lead to the desired scientific breakthroughs which will, in turn, lead to marketable new product for the company. Effectively, we are unable to use either behavior or outcome measurement, thus leaving us with no “rational” form of control, the critical elements seem to be a warm, humanistic work atmosphere, promotion from within, long-term employment, generous pay, and support and to individuals who have become valuable because of their transaction-specific assets.

### 3.4. Decline stage

The decline stage of the life cycle is characterized by a decrease in organization’s resource base. In this stage, organizations are experiencing reductions in market share, reduced product demand and financial losses, due to outmoded strategy within organization, market environment change or actions of a competitor etc. During the decline stage, the organization focusing on survival and a reduction in the labor costs can contribute to firm survival. Compensation cost reduction strategies such as pay cuts, pay freezes, reduction sales reward because of the firm lack of resources available to pay, the salesperson rewards may be applied in some
limited circumstances like new products.

At the decline stage, we are unable to use either behavior or outcome measurement, thus leaving us with “rational” form of control. Because of in such circumstance is that the organization relies heavily on ritualized, ceremonial forms of control [32], in this time, organization has focused on the group cohesiveness or appeared the informal social structure, and these socialization process characterize groups have similar values to reach the organizational goals. The functions of socialization are similar in identification with organizational cultures, value, and clan. John and Weitz [11] fine stronger support, include evidence of a clan-like system (e.g., promotion from within, long-term employment, warm atmosphere) in which such salespeople predominate, thus, the clan control is a considerable strategy. The criterion of compensation is based on a socialization type; for instance, promotion desirable transfers, a satisfying work environment, perhaps the company’s prestige, and job security.

4. Conclusion

This study provides the first test and an integrated set of salesforce incentive from TCA with organizational life cycle. We link salesforce incentive strategy, organizational life cycle, and TCA attempts to develop a framework of incentive reward match to organizational life cycle from the TCA perspectives, and through implementing different types of incentive compensation criterion within organizational life cycle to motive salesforce to execute the corresponding organizational strategy.

At the organizational stage, measurement and philosophical issues appear to be key factors. Generally, the more objective the measures and the more costly the behavior measurement process, the more outcome incentive control is recommended. Alternatively, in-accessible or inaccurate output measures, the recommended response to high uncertainty is behavior incentive control. Philosophically, a willingness to assume risk for the salesforce and to provide informational, supportive feedback appears to coincide with a behavior incentive control perspective, whereas a humanistic philosophy seems to support a clan incentive system [8]. Table 2 displays the compensation plans respect to the design of salesforce to match organizational life cycle. As shown, outcome incentive controls are reserved for start-up stage and behavior incentive controls are available in growth stage. In the maturity stage, the salesforce control systems are a mix of approaches, containing elements of both behavior- and outcome-based strategies. In addition, clan incentive controls are reserved for situations in which decline. Table 3 provides some practical examples and recommendations for implementing TCA approach.

In this paper, we suggest that the type of salesforce incentive control system is instrumental for the proper organizational life cycle of the sales management process. In particular, it many have potential effect on other performance determinants such as motivation not considered here, the factors are probably more important and worthy of further study. Furthermore, future work might need greater efforts to integrate theoretical and empirical in order to verify the practicability of this framework.

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