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Review Article

Sales Force Control System and Ethical Behaviour: A Review Based Article

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Abstract

A sales force control system is an organization's process to monitor, direct, evaluate and reward sales people. It has a lot of important consequences for sales people as well as the organization as it has an impact on sales force ethical behaviour, sales support orientation, customer orientation and sales force performance. As the importance of ethical behaviour in all industries is increasing, the role that sales force control system plays in influencing ethical behaviour needs to be investigated. Sales management literature has revealed that sales force control system not only have a direct effect on ethical decision making of sales people, but it also has an indirect effect. This study makes an attempt to analyze the direct as well as indirect effect of behaviour based and outcome based sales force control system on ethical behaviour of sales people. The analysis is based on the review of studies taken from the period 1985-2008.

Key words: Behaviour based sales force control system, outcome based sales force control system, sales force ethical behaviour

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INTRODUCTION

Ethical sales behaviour is defined as fair and honest actions that enable the sales person to foster long-term relationships with customers based on customer satisfaction and trust¹. As the definition suggests, ethical behaviour has long term implications for the sales organizations. More and more organizations are trying to focus on the "Ethical behaviour" aspect of sales people as this will help them to be successful in the long run. In such a scenario, it is important to investigate the factors that have an effect on ethical behaviour of sales people.

According to Ingram *et al.*², as enhancing the sales force moral behaviour is increasingly important, but difficult in today's fast-paced and complex selling environment, sales organizations must address the potential impact of all sales management decisions on the ethical behavior of sales people. Roman and Munuera¹ conceptualized that reward system, sales force control system and personal factors (age and education) affect the sales person's ethical behaviour. Similarly, Schwepker and Good³ asserted that internal sales force control mechanisms are strategic forces that directly affect the behaviors of the sales force and their accompanying orientation toward customers.

Understanding how direct supervision of the sales force can affect the ethical behavior of sales people gives upper management the opportunity to enrich customer relationships⁴. Emphasizing the role of sales managers in influencing the ethical behaviour, Schwepker and Good⁵ stated that sales managers have the opportunity to influence critical selling behaviors that can affect relationships. In an empirical study, they examined how sales managers' drive to reach their goals may have an impact on ethical behavior of their sales force.

According to Schwepker and Good⁶ as unethical behaviour is negatively related to customer oriented selling, so sales managers who want customer-oriented sales force would try to hire ethical sales people. Managers have the opportunity to directly influence the ethical behavior of the sales force during hiring and training processes⁴.

Deconinck⁷ analyzed how an organization's ethical control system that incorporates both a compliance orientation and a values orientation influences sales managers' ethical perceptions of and behavioral intentions toward unethical sales force behavior.

As a sales force control system is an organization's process to monitor, direct, evaluate and reward sales people⁸, it is likely to have an impact on ethical decision making of sales people. According to Schwepker and Good⁴, not only sales force

control systems influence sales people but also supervisor's attitudes and their actions influence the behaviour of sales people.

The objective of this study is to extend the existing knowledge of the role of sales force control system in affecting ethical behaviour of sales people.

SALES FORCE CONTROL SYSTEM

A sales force control system is an organization's process to monitor, direct, evaluate and reward sales people⁸. Selection of an appropriate sales force control system is important because it has influence on the functioning of the organization. Anderson and Oliver⁸ proposed that sales force control system will have an influence on sales force characteristics (affects, attitudes, cognitions and behaviour) and their performance. There are two broad categories of sales force control system; behaviour based and outcome based sales force control system. As their name suggest, the focus of behaviour based control is on the behaviour of sales people while that of outcome based control is on the outcomes achieved by the sales people.

BEHAVIOR-BASED SALES FORCE CONTROL SYSTEM

Behaviour based control is characterized by more monitoring of sales people by management, more managerial direction to direct sales people and use of subjective and more complex methods based on sales person's aptitude and product knowledge, number of calls, their sales strategies to evaluate and compensate the sales force⁸.

OUTCOME-BASED SALES FORCE CONTROL SYSTEM

Outcome based control is characterized by less monitoring of sales people by management, less managerial direction to direct sales people and use of objective measures of outcomes to evaluate the sales force⁸. In outcome-based control system, sales people are left alone to achieve results in their own way using their own strategies. Sales people are held accountable for their results and not how they achieve the results.

IMPORTANCE OF ETHICAL BEHAVIOUR

It is important for sales people to indulge in ethical behaviour as it has an effect on important outcomes which are of relevance to sales people as well as to the organization.

Analyzing the effect of opportunistic behavior on commitment and trust, Morgan and Hunt⁹ in their study on 204 independent automobile tire retailers found that opportunistic behavior has an indirect effect on relationship commitment and a negative effect on trust. Schwepker¹⁰ examined ethical climate's relationship to job satisfaction, organizational commitment and turn over intention among sales people. Regression analysis of data of 152 business-to-business sales people in United States revealed that sales persons' perception of their organization's ethical climate was positively related to their job satisfaction and organizational commitment.

These findings indicate that ethical behaviour and ethical climate have important consequences for job satisfaction, trust, organizational commitment and turn over intention among sales people.

FRAMEWORK FOR ORGANIZING THE STUDY

Taking into account the variables of sales force control system and sales force ethical behaviour, articles from leading management, marketing and sales journals for the years 1985 through 2008 have been included for the detailed and critical review.

REVIEW OF STUDIES

Research studies are discussed to enhance the understanding of the relationship between sales force control system and ethical behaviour of sales people.

Ferrell and Gresham¹¹ proposed a model including the key determinants of ethical behavior. They proposed that top management will have more influence on sales people than peers because of their power and demands for compliance. Where top management has less interaction with sales person than the peer, the peers will have more influence on ethical behavior. They also proposed that unethical behaviour of sales people will be influenced by the opportunity for sales people to become involved in unethical behavior and the rewards they get for engaging in unethical behaviour. These propositions indicate a positive relationship between unethical behaviour and outcome based sales force control system.

According to deontological ethical theories, certain intrinsic characteristics of a behavior make it right or wrong, not the consequences the behavior brings about while teleological ethical theories state that it is the amount of goodness or badness of the consequences of a behavior that determines its, rightness or wrongness. Analyzing data of

747 sales and marketing managers using experimental design and ANOVA and using regression to explore the research questions further, Hunt and Vasquez-Parraga¹² found that in order to discipline or reward the behavior of sales people, managers are guided firstly by deontological considerations, that is the rightness or wrongness of the behaviors and secondarily by teleological factors, that is the consequences of the behaviors for the organization. The study has implications for sales force control systems. In comparison with outcome based control systems, behavior based control systems are thought to result in sales people, (1) Being more professionally competent, (2) Being more committed to the organization, (3) Having higher levels of intrinsic motivation, (4) Valuing the interests of the organization and its customers more highly, (5) Spending more time on sales support activities and (6) Performing better at achieving the organization's long term goals, but more poorly on traditional short-term measures. According to Hunt and Vasquez-Parraga¹², this study suggests another advantage of behavior based control systems the development and maintenance of an organizational culture that encourages deontologically ethical behavior and discourages deontologically unethical behavior.

Robertson and Anderson¹³ examined the effects of the firm's control system on the ethical judgments of sales people. This study presented, via a mail survey, 14 scenarios posing ethical conflicts drawn from survey literature identifying common sales force ethical dilemmas. Respondents were asked what they will recommend to a colleague whether to undertake an action suggested in each scenario. Analysis of 446 industrial field sales people revealed that sales people subject to a very structured control system that is characterized by intense monitoring and supervision and subjective evaluation are less likely to recommend a decision that involves violating societal norms than sales people operating in an outcome based system. These findings suggest that behaviour based sales force control system has a positive impact on ethical behaviour of sales people.

Honeycutt *et al.*¹⁴ analyzed the relationship between ethics and ethical training of automotive sales people. Analyzing data of 160 sales people in Taiwan and 91 sales people in US and using pairwise correlations to test the hypotheses, they found a positive relationship between ethics training and ethical perceptions of successful sales people of US and Taiwan. They also found a positive relationship between ethics training and ethical behavior for both the countries.

Ramaswami¹⁵ examined the impact of sales force control system on dysfunctional behavior analyzing data of 318 members of American Marketing Association in US, the

study suggests that both output control and process control are positively associated with dysfunctional behavior. They also found that use of process control is associated with lower dysfunctional behavior when procedural knowledge is high while availability of performance documentation does not alter the relationship between output control and dysfunctional behavior. The use of output control is associated with lower dysfunctional behavior when procedural knowledge is high while availability of performance documents does not alter the relationship between process control and dysfunctional behavior.

Verbeke *et al.*¹⁶ developed a model which analyses the impact of organization's environment, organizations' climate and personality traits on ethical decision making. Using data of 185 sales people and applying varimax rotation as a technique of factor analysis, they found that decision making will be more ethical in an organization where behavior based control is used rather than outcome based control. They also found that ethical climate and Machiavellian personality traits affected ethical decision making substantially. Overall the findings reveal that behaviour based control system has direct as well as indirect influence on ethical decision making through its effect on the climate.

Schwepker *et al.*¹⁷ investigated the relationship between ethical climate and ethical conflict. Analyzing data of 152 sales people, they found that when sales people perceived ethical climate to be positive, then sales person's ethical conflict will be less and vice versa. The findings suggest that ethical climate affects ethical decision making in a sales organization.

Information asymmetry is the extent to which a subordinate (sales person) has more information than the superior (sales manager) relating to the subordinate's area of responsibility. Ramaswami *et al.*¹⁸ examined the impact of sales force control systems on information asymmetry and dysfunctional behaviors of sales people. The analysis on 154 sales people revealed that both output and behavioral controls are unrelated to information asymmetry. It also indicted that the use of behavioral control systems is associated with increasing the strength of association between information asymmetry and dysfunctional behaviors.

Weaver *et al.*¹⁹ investigated the role that top management plays in the success of an ethical program. They found that top management's commitment to ethics was positively related to the scope of an ethics program. They also found top management's commitment to ethics to be positively related to compliance orientation and values orientation.

These findings indicate that behaviour based sales force control system will be positively related to ethical behaviour of sales people.

Schwepker and Good³ examined the influence of sales managers' quotas on their response to sales people's unethical behavior. Their analysis of 240 sales managers using multiple regression analysis revealed that when sales managers perceive sales quota to be difficult, the probability of them allowing sales people to act unethically increases. They also found a negative relationship between ethical climate and the probability of sales managers allowing sales people to act unethically. These findings show that outcome based/incentive based sales force control system will have a negative impact on sales person's ethical behaviour.

Schwepker and Good⁶ explored the relationship among sales manager ethical attitudes, hiring and coaching. Analyzing data of 240 sales managers using multiple regression analysis, they found a positive relationship between sales manager ethical attitudes and their use of ethical evaluation when hiring sales people. They also found that both sales manager ethical attitudes and understanding of ethical violations are positively related to coaching for ethical situations. These findings indicate that sales managers with more positive attitudes regarding ethics are more likely to evaluate sales people's ethics when hiring them and give them coaching for ethical situations.

Roman and Munuera¹ in their study highlighted the determinants as well as the consequences of ethical behaviour of sales people. Analyzing data of 280 financial services sales people involved in selling high involvement financial products, they found that ethical behaviour of sales people is influenced by the method of compensation and control system. The findings suggest that behaviour based control system and higher percentage of fixed salary of sales people are positively related to ethical behaviour of sales people.

Deconinck⁷ analyzed how an organization's ethical control system influences sales managers' ethical perceptions and behavioral intentions toward unethical sales force behavior. Two scenarios involving an ethical dilemma were used to investigate these relationships. Analysis of data of sales managers using the LISREL 8 program showed that an increase in sales managers' perception that an ethical problem existed lead to a lower propensity to engage in unethical behavior. The study also revealed that sales managers whose company's ethics activities and policies are orientated toward building trust and confidence and communicating the company's values while encouraging shared values perceived the behavior of the sales person as more unethical than other sales managers.

Schwepker and Good⁵ examined how sales managers attitudes affect sales person's ethical behavior. Analyzing data of 240 sales managers using regression analysis, they found a

positive relationship between sales managers' perceived quota difficulty and the probability of them allowing sales people to act unethically. They also found a negative relationship between sales managers' commitment to their profession and the probability of them allowing sales people to act unethically.

Schwepker and Good⁴ investigated the relationships among the firm's ethical climate, sales manager attitudes and ethical hiring and training practice. Analyzing data of 240 sales managers using multiple regression analysis, they found that an organization's ethical climate, influenced by elements of control (ethical codes, ethical policies and punishment) has an indirect impact on sales force ethical behavior through its direct effect on sales manager ethical attitude. Thus, sales managers' ethical attitudes and organization's ethical climate has an effect on unethical sales force behavior. Sales managers who have positive attitudes towards ethics are likely to devote more time to ethics when training sales people and to evaluate sales people's ethics when hiring them.

Focusing on the impact of sales force control strategy on sales organization ethical climate, Ingram *et al.*² proposed that an activity based and a capability based sales force control system focusing on ethical behaviors will positively enhance perceptions of the structural dimension of sales organization ethical climate.

Anomie is a situational condition characterized by normlessness and social disequilibrium that sets the stage for deviant behavior. Saini and Krush *et al.*²⁰ proposed a conceptual model that included output control, process control and their impact on anomie. They proposed that when the level of output control used in managing the marketing function is high, level of anomie within the marketing department will be high. They also proposed that when the level of process control used in managing marketing capabilities is less, the level of anomie is less.

Table 1 summarizes the research studies examining the relationship between sales force control system and sales force ethical behaviour. This table includes the sample size, variables along with key findings of the studies.

Table 1: Relationship between sales force control system and sales force ethical behaviour, sample size, variables along with key findings of the studies

Study	Samples	Variables studied	Key findings
Ferrell and Gresham ¹¹	-	Ethical behaviour	They proposed that unethical behaviour of sales people will be influenced by the opportunity for sales people to become involved in unethical behavior and the rewards they get for engaging in unethical behaviour
Hunt and Vasquez-Parraga ¹²	747 sales and marketing managers	Marketing ethics Sales force supervision	Behavior-based control systems leads to the development and maintenance of an organizational culture that encourages deontologically ethical behavior and discourages deontologically unethical behavior
Robertson and Anderson ¹³	446 industrial field sales people	Unethical behavior Task environment	Sales people subject to a very structured control system that is characterized by intense monitoring and supervision and subjective evaluation are less likely to recommend a decision that involves violating societal norms
Honeycutt <i>et al.</i> ¹⁴	160 sales people in Taiwan and 91 sales people in US	Ethics Ethical training	They found a positive relationship between ethics training and ethical behavior for both the countries
Ramaswami ¹⁵	318 members of American Marketing Association in US	Sales force control system Dysfunctional behaviour	Both output control and process control are positively associated with dysfunctional behavior
Verbeke <i>et al.</i> ¹⁶	270 sales people	Sales force control system Ethical decision making	Control systems affect ethical decision making directly as well as indirectly because of their effects on the climate
Schwepker <i>et al.</i> ¹⁷	152 sales people	Ethical climate Ethical conflict	The more positive the perceived ethical climate, the less the sales person's ethical conflict
Ramaswami <i>et al.</i> ¹⁸	154 sales people	Sales force control system Dysfunctional behaviour	Behavioral control systems is associated with increasing the strength of association between information asymmetry and dysfunctional behaviors
Weaver <i>et al.</i> ¹⁹	-	Top management's commitment to ethics Ethical program	Top management's commitment to ethics was positively related to the scope of an ethics program
Schwepker and Good ⁶	240 sales managers	Sales quota Ethical	When sales managers perceive sales quota to be difficult, the probability of them allowing sales
Roman and Munuera ¹	280 financial services sales people	Sales force control system Ethical behaviour	Behaviour based control system and higher percentage of fixed salary of sales people are positively related to ethical behaviour of sales people

Table 1: Continue

Study	Samples	Variables studied	Key findings
Deconinck ¹	Sales managers	Unethical behaviour Sales managers' ethical perceptions	Sales managers whose company's ethics activities and policies are orientated toward building trust and confidence and communicating the company's values while encouraging shared values perceived the behavior of the sales person as more unethical
Ingram <i>et al.</i> ²	-	Sales force control system Ethical behaviour Ethical climate	Proposed that an activity based and a capability based sales force control system focusing on ethical behaviors will positively enhance perceptions of the structural dimension of sales organization ethical climate
Schwepker and Good ⁵	240 sales managers	Sales managers' perceived quota difficulty Sales person unethical behaviour	A positive relationship was found between sales managers' perceived quota difficulty and the probability of them allowing sales people to act unethically
Schwepker and Good ⁴	240 sales managers	Ethical climate Sales managers' ethical attitudes	Sales managers' ethical attitudes and organization's ethical climate has an effect on unethical sales force behavior
Saini and Krush ²⁰	-	Sales force control system Anomie Climate Ethical behaviour	A positive relationship exists between the level of output control used in managing the marketing function and the level of anomie people to act unethically increases
Schwepker and Good ⁶	240 sales managers	Sales manager ethical attitudes Hiring Coaching	Sales manager ethical attitudes and understanding of ethical violations are positively related to coaching for ethical situations

CONCLUSION

The review of studies indicated important relationship between sales force control system and ethical behaviour of sales people. The findings from the review can be summarized in following categories: (1) There is a direct positive effect on ethical behaviour on behaviour based control, higher fixed salary, ethics training and positive ethical perceptions and opportunity for sales people to become involved in unethical behavior, (2) There is a moderating effect of procedural knowledge on the relationship between output and process control and dysfunctional behavior. There is also a moderating effect of behavioral control systems on the relationship between information asymmetry and dysfunctional behavior, (3) There is a positive effect of output control on dysfunctional behaviour and high level of anomie within the marketing department, (4) Sales managers' perceived quota difficulty and their commitment to their profession has an effect on sales people ethical behaviour. Sales manager ethical attitudes and understanding of ethical violations are positively related to coaching for ethical situations. Top management's commitment to ethics was positively related to values orientation. These findings reveal the importance of behaviour based control system and sales managers in making sales people more ethical.

IMPLICATIONS

The study has important implications for sales organizations. They need to take due care in choosing the right kind of sales force control system as it will have an impact on ethical behaviour of sales people. Sales force control system will not only have a direct impact on ethical behaviour but also an indirect impact through the attitude and behaviour of supervisors.

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