The Effects of Pricing on the Sales Force and the Firm: A Strategic View

Wendy Ritz
Kennesaw State University

Follow this and additional works at: http://digitalcommons.kennesaw.edu/etd
Part of the Sales and Merchandising Commons

Recommended Citation

This Dissertation is brought to you for free and open access by DigitalCommons@Kennesaw State University. It has been accepted for inclusion in Dissertations, Theses and Capstone Projects by an authorized administrator of DigitalCommons@Kennesaw State University.
THE EFFECTS OF PRICING ON THE SALES FORCE AND THE FIRM:
A STRATEGIC VIEW

by
Wendy Ritz

A Dissertation

Presented in Partial Fulfillment of Requirement for the
Degree of
Doctor of Business Administration
In the
Coles College of Business
Kennesaw State University

Kennesaw, GA
2013
Dissertation Defense: July 9, 2013

DBA Candidate: Wendy Ritz

The content and format of the dissertation are appropriate and acceptable for the awarding of the degree of Doctor of Business Administration.

Michelle Steward, PhD
Committee Chair
Associate Professor of Marketing
School of Business
Wake Forest University

Signature: [signature]

Felicia N. Morgan, PhD
Committee Member
Associate Professor of Marketing
Department of Marketing & Economics
University of West Florida

Signature: [signature]

Joseph F. Hair, Jr., PhD
Committee Member
DBA Founder and Senior Scholar
Professor of Marketing
Department of Marketing and Professional Sales
Kennesaw State University

Signature: [signature]

Brian N. Rutherford, PhD
Reader
Assistant Professor of Marketing
Department of Marketing and Professional Sales
Kennesaw State University

Signature: [signature]

Juanne V. Greene, DBA
Director, KSU DBA Program
Senior Lecturer of Management
Department of Management and Entrepreneurship
Kennesaw State University

Signature: [signature]

Charles J. Amlaner, Jr., DPhil
Vice President for Research and
Dean of Graduate College
Kennesaw State University

Signature: [signature]
ABSTRACT

THE EFFECTS OF PRICING ON THE SALES FORCE AND THE FIRM: A STRATEGIC VIEW

by

Wendy Ritz

Previous research has examined the dysfunctional relationships often encountered between marketing and sales, and the importance of cooperation and coordination between these two functional areas. But no prior studies have investigated the consequences of misaligned pricing and sales force compensation strategies that emerge from these two functional areas. This dissertation examines the impact of the firm’s pricing strategy on the sales force, and evaluates the importance of identifying the misalignment of goals of the pricing and sales force compensation strategies as a potential root cause of disappointing program outcomes. Essay 1 uses in-depth qualitative interviews with business-to-business (B2B) salespeople and sales managers across several industries to examine the nature and ramifications of strategic misalignment of pricing and sales compensation approaches. Based on extant literature and insights from the field, a series of potential relationships are proposed between pricing and sales force compensation strategies. Essay 2 examines the effects of misalignment of goals of the pricing and sales force compensation strategies on the salesperson’s expectancy, instrumentality, motivation, and behavioral intention. A scenario-based experimental design is used to test the hypotheses in Essay 2 based on data collected from salespeople.
The findings of this dissertation suggest that understanding the impact of the firm’s pricing strategy on the salesperson is an unstudied yet critical factor influencing sales and marketing program success.

**Keywords:** pricing strategy, sales force compensation strategy, marketing sales interface, goal conflict, expectancy theory, motivation, behavioral intention
Table of Contents

THE EFFECTS OF PRICING ON THE SALES FORCE AND THE FIRM: A STRATEGIC VIEW ................................................................. i
Copyright ........................................................................................................ ii
Signature Page .................................................................................................. iii
Table of Contents .............................................................................................. vi
CHAPTER 1 ....................................................................................................... 1
   Introduction .................................................................................................... 1
   Conceptual framework: Pricing and sales force compensation strategy .......... 7
   Background Literature .................................................................................... 8
CHAPTER 2 (ESSAY 1) .................................................................................... 21
   EXPLORING THE EFFECTS OF PRICING ON THE SALES FORCE AND THE FIRM: THE ADVERSE IMPACT OF STRATEGIC MISALIGNMENT ................. 21
      Abstract ...................................................................................................... 21
      Research Method ........................................................................................ 23
      Propositions ................................................................................................ 48
      Discussion .................................................................................................. 60
      Future Research ......................................................................................... 63
      Conclusion .................................................................................................. 64
      References .................................................................................................. 65
CHAPTER 3 (ESSAY 2) .................................................................................... 73
   THE EFFECTS OF (MIS)ALIGNED PRICING AND SALES FORCE COMPENSATION STRATEGIES ON THE SALESPERSON ................................................. 73
      Introduction ................................................................................................ 74
      Hypotheses .................................................................................................. 78
      Methodology ............................................................................................... 84
      Pretest ......................................................................................................... 88
      Pretest Analysis ........................................................................................... 91
      Main Study .................................................................................................. 99
      Main Study Analysis ..................................................................................... 101
      Discussion .................................................................................................. 121
## LIST OF TABLES

<table>
<thead>
<tr>
<th>Table</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1 B2B sales professionals</td>
<td>................................................................. 24</td>
</tr>
<tr>
<td>1.2 Illustration of codebook used for interviews</td>
<td>................................................................. 31</td>
</tr>
<tr>
<td>2.1 Scenarios</td>
<td>................................................................. 85</td>
</tr>
<tr>
<td>2.2 Pretest respondents per condition</td>
<td>................................................................. 89</td>
</tr>
<tr>
<td>2.3 Pretest participant demographics</td>
<td>.................................................................. 89</td>
</tr>
<tr>
<td>2.4 Main study survey participation</td>
<td>................................................................. 101</td>
</tr>
<tr>
<td>2.5 Main study participant demographics</td>
<td>.................................................................. 105</td>
</tr>
<tr>
<td>2.6 Main study respondent per condition</td>
<td>................................................................. 106</td>
</tr>
<tr>
<td>2.7 PCA Convergent validity report</td>
<td>.................................................................. 110</td>
</tr>
<tr>
<td>2.8 Discriminant validity test results</td>
<td>.................................................................. 111</td>
</tr>
<tr>
<td>2.9 Proportion of control variables per condition</td>
<td>.................................................................. 113</td>
</tr>
<tr>
<td>2.10 Main study demographics</td>
<td>.................................................................. 115</td>
</tr>
<tr>
<td>2.11 Hypothesis 3 results - Extrinsic motivation</td>
<td>.................................................................. 119</td>
</tr>
<tr>
<td>2.12 Hypothesis 4 results - Behavioral intention</td>
<td>.................................................................. 120</td>
</tr>
<tr>
<td>2.13 Hypothesis 4 Behavioral intention across scenarios</td>
<td>.................................................................. 120</td>
</tr>
<tr>
<td>2.14 Summary of main study hypotheses and tests</td>
<td>.................................................................. 121</td>
</tr>
</tbody>
</table>
CHAPTER 1
INTRODUCTION

Poor financial performance of a business can be attributed to a variety of possible reasons within sales and marketing, including failures of proper product development, ineffective promotion, and misidentified target markets (Rouziès et al., 2005). The lack of communication between marketing and sales also has been suggested as a root cause of the problem (Hughes, LeBon, & Malshe, 2012; Cross et al., 2001; Maltz & Kohli, 1996; Strahle & Spiro, 1986). Indeed, the necessity for decisions to be coordinated across marketing and sales has been underscored in previous research (Cespedes & Piercy, 1996; Lawrence & Lorsch, 1986; Menon, Bharadwaj, & Howell, 1996).

Diagnosis of problems may be impeded, however, by the assumption that marketing and sales strategies, in particular pricing and sales force compensation strategies, are congruent and therefore aligned toward the same types of goals, such as market share growth or profit maximization.

Despite significant research on dysfunctional relationships between marketing and sales and the importance of cooperation and coordination between these two functional areas (e.g. Homburg & Jensen, 2007), no prior studies in this domain have examined the
detrimental consequences of misaligned goals of the pricing and sales force compensation strategies or the potential benefits to the firm of aligning these strategies. Poor performance may be misdiagnosed because the true root of the problem, the misaligned goals of the pricing and sales force compensation strategies, is undetected. While suggestions for enhanced communication between the functional areas may be helpful, poor performance may persist if the functional areas are not communicating about the fundamental elements of strategy (Hutt, 1995; Malshe & Sohi, 2009; Menon, Bhardwaj, Adidam, and Edison, 1999).

The marketing and sales functions are principally responsible for revenue generation for the firm. In particular, marketing considers competitive pressures and customer preferences when establishing the revenue per unit for a company’s products and services through the pricing strategies. Similarly, the sales function determines the forecasts for overall sales revenue and is accountable for achieving these goals. Hence, an organization’s pricing strategy has a direct relationship with the creation and implementation of an organization’s advertising and sales strategies (Homburg, Jensen, & Hahn, 2012; Lancioni & Gattorna, 1993). When marketing and sales work well together, the organization benefits. But when discord occurs between the functional areas, it produces negative organizational effects (Cespedes et al., 1996; Dewsnnap & Jobber, 2000; Strahle, Spiro, & Acito, 1996).

**Problem Setting**

The impetus for this dissertation emerged from a real-world problem that businesses regularly face. Specifically, the situation that suggested the potential for this
dissertation occurred in a *Fortune*-250 B2B company in which misaligned goals of the pricing strategy and sales force compensation strategy led to a series of ineffective outcomes, in part because the true problem (misaligned goals) was never examined. Consider the following example from the company: A supplier carries two brands within a product line offering, Brand A and Brand B. The supplier’s salespeople sell the two products with different brands to retailers. The marketing department of the supplier organization implements a pricing strategy designed to grow the market share of Brand A in a specific geographic area by offering the product at a discounted price for a limited time. A similar strategy is not implemented for Brand B.

The marketing department set an initial period of three months for the discounted price. Progress evaluations were to be held at the end of each month. At the end of the first month, the discounted priced Brand A had lower sales than the previous month’s sales when there was no discounted price. The reason was the sales force responsible for selling the two products had de-emphasized selling the discounted product Brand A. As a result of lower sales of Brand A, inventory levels remained high and the pricing strategy objectives were not met. Marketing managers expected to sell more of Brand A because of the discounted price, but this did not happen because of the lack of support of the sales force.

The marketing department of the supplier grew anxious about failing to meet the goal of growing marketing share within the targeted region and decided to offer an incentive directly to the salespeople for each unit of Brand A sold. But the incentive represented less than one percent of the sales force’s normal commission incentive rate.
As a result, at the end of the second month sales of the discounted product continued to decrease from the norm and sales of the higher priced brand increased.

After a considerable amount of management input, the company decided to increase the promotion of the discounted brand for the final month by adding a third daily delivery time for retailers in the area to receive orders of Brand A. In contrast, competitors in the same geographic area only offered two deliveries per day. This extra service required that the supplier hire a driver and add another vehicle to the fleet. Management believed that this extra service, coupled with the discounted price of Brand A and the sales incentive to the salespeople would help to achieve the goal of growing market share of Brand A.

At the end of the third and final month of the discounted price promotion, the overall net result was a shift in sales from the discounted brand to the higher priced brand. Moreover, the sales of Brand A did not support the cost of the driver or the vehicle added for the additional delivery time. Follow up inquiries determined that customers had established purchasing frequencies based on two deliveries per day and the third daily delivery did not increase the overall volume of purchases. Instead, it merely spread existing demand across three deliveries instead of two. After the three month promotional pricing period, the supplier discontinued the third daily delivery.

Investigation into the failed three-month promotion yielded an unexpected result for the supplier. The sales force compensation strategy of the company was based on maximizing profit by paying the sales force commission based on gross margins. All sales progress reports for the sales force were generated to show the contribution margin, and not market share information. While profits in the area were trending up because
salespeople were selling more of the undiscounted Brand B, the pricing strategy to grow the market share of Brand A failed, and the company did not meet its goals for the period. It appeared, therefore, that the failure to align the pricing and sales force compensation strategies was the reason the goal of increasing market share was not achieved. Moreover, throughout the temporary discounted price period, the firm attempted to modify the initial marketing strategy, but their efforts resulted in inefficiencies for the firm and reduced goodwill with the firm’s customers. Unfortunately, even in highly successful companies such as this Fortune-250 company, pressures to decide and act swiftly often supplant careful consideration of the true root of problems.

Why might a firm’s pricing and sales force compensation strategies not be aligned? There are two main reasons. First, marketing and sales may have different orientations, with marketing being product-focused and sales being customer-focused (Cespedes et al., 1996; Homburg et al., 2007). Moreover, these orientations may encompass different, potentially non-overlapping facets of the environment. For example, a product-focused orientation may lead the marketing function to consider the level of research and development that went into the product creation, next generation products on the horizon, or the positioning of the product within the firm’s product portfolio (Rouziès et al., 2005; Ruekert & Walker Jr, 1987). In contrast, the typical customer-focused orientation of the sales function may lead to an emphasis on the customer’s in-house financial pressures, purchases of competing products of the supplier the customer is considering, or attempts to meet the custom needs of the customer. These two different lenses may result in different strategies designed to reach different goals, complicated by
the fact that the two strategies may be set in different divisions of the firm independently of one another (Rouziès et al., 2005).

A second reason pricing and sales force compensation strategies may not be naturally aligned is that the two strategies have different temporal influences (Cespedes, 1995; Cespedes et al., 1996; Homburg, Jensen, and Krohmer, 2008). For example, in the heat of day-to-day competition, the pricing strategy, the quickest lever of the marketing mix for organizations to adjust, often morphs in reaction to external forces, such as changes from competitors, customers, suppliers, or even regulatory events. Adjustments to pricing strategies can be considered short term because the frequencies may happen annually or even many times within a year. In contrast, sales force compensation strategy tends to be more stable, and guided by internally established goals, such as growing market share in specific regions or product segments, or increasing contribution margin profit (referred to as profit maximization) (Küster and Canales, 2011). For example, through the process of evaluating the customer’s needs a salesperson would direct the customer toward the most profitable product or service solution. These divergent influences can result in a lack of goal congruence across the two strategies.

**Purpose and Contribution**

The purpose of this two-essay dissertation is to examine the impact the firm’s pricing strategy may have on the sales force, and to determine the importance of identifying goal misalignment of pricing and sales force compensation strategies as a potential root cause of program failure. The dissertation takes a sales force-centric view of misalignment by focusing on the effects of a firm’s pricing strategy on the sales force and the salesperson. The overarching framework upon which this two-essay dissertation
is based is illustrated below. Essay 1 focuses on the core firm-level and functional-level outcomes of the alignment of the pricing and sales force compensation strategies and how these outcomes shape sales force behavior. The outcomes are identified using in-depth qualitative interviews with B2B salespeople and sales managers across industries to delve into the nature, identification, and ramifications of strategic misalignment. A series of propositions are examined to determine the relationships between the extant literature in pricing and sales force compensation, and perceptions from field interviews.

**Conceptual framework: Pricing and sales force compensation strategy**

Essay 2 focuses on identifying the effects of misaligned goals of the pricing and sales force compensation strategies on the relationships among the salesperson’s
expectancy, instrumentality, motivation, and behavioral performance. A scenario-based experimental design was used to test the hypotheses in Essay 2.

The contribution of this research is three-fold. First, the marketing-sales interface literature will be extended by identifying the importance of aligning the goals of the pricing and sales force compensation strategies. Specifically, the dissertation will examine the degree to which this key, though perhaps overlooked, joint-planning activity needs to be addressed for a firm to be successful. Second, the models of selling success are enhanced by determining the nature of the dependency of the sales function upon the alignment of pricing and sales force compensation strategies. Third, the areas in which misaligned pricing and sales force compensation strategies can affect salesperson performance through the salesperson’s motivation will be described.

BACKGROUND LITERATURE

This dissertation draws upon three general bodies of literature that are traditionally treated separately: the marketing-sales interface, pricing strategy, and sales force management. From the intersection of these domains, this dissertation examines propositions related to the effects of the misalignment of pricing and sales force compensation strategies on the organization (Essay 1), and develops and tests hypotheses relating to the interaction and impact of these two strategies on the salesperson (Essay 2). The key background literature that provides a foundation for this dissertation is presented in this section.

Marketing-Sales Interface

Extant literature defines the marketing-sales interface as the relational interdependence between marketing and sales as an environment where the functionality
of one group is contingent on the other (Cespedes et al., 1996). Scholars in the sales domain have suggested that “in most companies, marketing and sales organizations are separate functions with different perspectives on how best to manage customer relationships” (Bradford et al., 2010, p. 248). Moreover, these different perspectives can be a major obstacle to managing joint activities across the two functions (Bradford et al., 2010; Homburg et al., 2007). In their research on the effects of the marketing-sales disconnect on effective marketing communication programs, Smith, Gopalakrishna, and Chatterjee (2006, p. 577) highlight the “crippling disconnect between the marketing and sales functions within many organizations, resulting in large amounts of wasted expenditures and energy for the firm”. Existing research on the marketing-sales interface is important for this research because product pricing strategies generally originate from the marketing department, whereas sales force compensation strategies are developed by the sales department. While these two departments often operate in functional silos, as boundary spanning units, both marketing and sales have access to competitor and customer information that can be vital to the success of each department and the organization overall (Hult, 2011).

The definitions of interface integration in previous literature are varied yet have basic tenets, including quality of cooperation, frictionless collaboration, and a unity of efforts toward a coordinated goal (Homburg et al., 2007). Research by Rouziès et al. (2005) defines interface integration as the supportive coordination of the sales and marketing functions such that the activities complement each other and facilitate goal achievement for both areas. Similarly, Homburg et al. (2008) describe interface
integration as the extent to which there is a state of collaboration between marketing and sales that is characterized by unity of effort and harmony (Lawrence et al., 1986).

Previous research has identified benefits of a strong marketing-sales interface, including perhaps the most obvious, the creation and maintenance of a market orientation (Le Meuneir-FitzHugh & Piercy, 2011). Other research has shown that a strong cross-functional interface positively affects satisfaction in working with other departments, project success and performance (Kahn & McDonough, 1997; Troilo, DeLuca, and Guenzi, 2009). Importantly for this research, the benefits of cooperation within the marketing-sales interface during the strategy creation stage are positively related to successful strategy creation and implementation (Homburg et al., 2008; LeMeunier-FitzHugh et al., 2011). In contrast, inhibitors of a strong interface between marketing and sales include goal conflicts, unidimensional perspectives, and strong in-group identities (Dewsnap and Jobber, 2002; Menon et al., 1999; Ruekert et al., 1987).

The cross-functional literature suggests that collaboration between functions involves collectively creating, choosing, and implementing strategy such that departments work to achieve goals harmoniously under the firm’s unified vision with shared ideas and resources (Hughes, Le Bon, & Malshe, 2012). Typically, however, the studies have been broad-based and not pinpointed the specific strategies that need to be aligned, the conditions under which strategy misalignment may be masked, or the ramifications of strategy misalignment that may ripple throughout the organization.

**Marketing and sales strategy**

Varadarajan (2010) places strategic marketing at the firm level. It involves, therefore, a large commitment of firm resources spread over a relatively long term. At
The concept of alignment of strategies used in this research bridges the Varadarajan (2010) definition of marketing strategy with a definition representing the marketing-sales interface integration proposed by Kahn et al. (1997). The goal of each strategy, which is a unified vision (Kahn et al., 1997), must be clearly communicated to facilitate alignment between marketing and sales. Therefore, the alignment of marketing and sales strategies involves planning, creating, choosing, and implementing activities and resources such that these efforts are in concert and become focused on the same goal.

**Communication**

Factors that contribute to marketing-sales interface integration include both formal and informal communication and the efficient flow of information (Dewsnap et al., 2000; Fisher & Maltz, 1997; Ruekert et al., 1987). The sales force is expected to collect information regarding customer requirements, competitive pricing, and other competitive activities (Cross et al., 2001; Dewsnap & Jobber, 2000). Some shared information from marketing to sales would include the competitive analysis of products, packaging features and benefits, and changes in pricing strategies (Rouziès et al., 2005). Caution is warranted with regard to arbitrarily increasing communication to the point of counterproductive overload, with the result being decreased integration (Maltz et al., 1996; Rouziès et al., 2005). According to Rouziès et al. (2005), increased emphasis on
integrated marketing communications, and coordination of marketing mix activities, is aimed at improving outward communication to the customer, but largely ignores the internal sales force. But efficient and effective bidirectional communication is crucial during the strategy creation and implementation stages to avoid conflicts of outcomes and goals. Thus, communication in and of itself is insufficient. Instead, communication must occur about the “right” elements of strategy.

**Pricing Strategy**

Pricing strategy is a marketing strategy (Varadarajan, 2010). The communication and signaling of an organization’s pricing strategy affects the distribution channel, which includes competitors and customers, as well as the internal sales force. However, the effects of pricing strategy on the sales force have been established only anecdotally (Lancioni et al., 1993; Strahle et al., 1996). Competitive market response to a pricing communication or signal may be retaliatory behavior involving a price war, or cooperative behavior in which the competitor raises prices to the new established referent price (Ramaswamy, Gatignon, & Reibstein, 1994; Palazon and Delgado-Ballester, 2009; Gu, Kim, Tse, & Wang, 2010).

Considerable literature focuses on customer responses to a pricing strategy. Some examples of these responses include changes in perceptions of value (Munnukka, 2006; Sharma & Iyer, 2011), in perceptions of quality (Tellis, 1986; Jacobs, Ratliff, and Smith, 2010), and in demand (switching) (Holden & Nagle, 1998). An important contribution of this domain of literature is the awareness that the price of an item “enters either as an attribute in the evaluation stage of the choice process or as a constraint in the ultimate choice,” (Rao, 1984, p. 41). The significance of price and quality is emphasized across
consumer choice strategies (Tellis & Gaeth, 1990). Moreover, price is also underlined in high quality brand choice strategy as consumers continue to maximize value by evaluating the quality against the price paid.

In general, the typical pricing strategy has a long-term orientation and requires periodic choices between maximizing profit margins and increasing/protecting market share (Lancioni et al., 1993; Rao, 1984; Tellis, 1986). To increase market share, companies may choose the fast approach of buying market share through deeply discounting the price, or the slower approach of gaining and holding market share by adding value or service at no additional charge to the customer (Lancioni et al., 1993). Regardless of the approach, growing market share represents a trade-off against maximizing profit margins.

On the other hand, a pricing objective of profit maximization includes activities that focus on identifying the market price or the highest price the customer is willing to pay, and then establishing and maintaining that price level (Nagle, 1983; Nagle & Hogan, 2007). With a profit maximizing approach, a company typically identifies similar customer groups and offers levels of pricing based on transparent customer buying thresholds (Nagle, 1983; Nagle & Cressman Jr, 2002).

**Pricing and the Sales Force**

When the domains of pricing and sales force behavior have been connected, it has been through the choice of whether an organization should centralize pricing decisions or delegate those decisions to the sales force (Lal, 1986; Stephenson, Cron, & Frazier, 1979; Weinberg, 1975). However, the norm within the literature is that the goals of the pricing strategy are set by the marketing department and sales force decision-making is limited to
determining the degree to which prices may be negotiated (Lal, 1986; Mishra & Prasad, 2004, 2005).

The price delegation literature assumes the firm has a profit maximizing goal, and in order to award any authority, the sales force must be compensated on realized gross margins to ward off any suboptimal trade-off between effort and price (Joseph, 2001; Weinberg, 1975). Prior literature has suggested that the information asymmetry concern on which the delegation decision was founded may be resolved through effective contracts between the sales force and the firm, thereby negating the need for a delegation decision (Hansen, Joseph, & Krafft, 2008; Mishra et al., 2004, 2005; Stephenson et al., 1979). Although the price delegation literature explores relevant managerial issues and offers an initial connection between pricing and the sales force, to date the domain has neglected addressing pricing strategy as a marketing strategy with multiple business unit level components and ramifications. Further, the price delegation literature deems only one sales force compensation method to be optimal, and does not consider the multiple possible objectives of the sales force compensation strategy.

Sales Force Management

The sales force management literature focuses on ways to improve sales force performance by identifying a series of activities that are involved in the selling process (Churchill, Ford, Hartley, & Walker, 1985; Walker, Churchill, & Ford, 1977; Weitz, Sujan, & Sujan, 1987). In the seminal research by Walker et al. (1977), the authors used Vroom’s expectancy theory to explore the determinants of salesperson performance (Oliver, 1974; Vroom, 1964). The findings of Walker et al. (1977) suggest that the link between perceived effort and performance (effort-performance expectancy) and the
perceived link between performance and reward (outcome-instrumentality) are antecedents to salesperson motivation (DeCarlo, Teas, & McElroy, 1997). Sales force motivation is an antecedent to salesperson performance (Oliver, 1974; Tyagi, 1982). The elements found to influence sales force effort, motivation, and therefore performance, include characteristics of the organizational context and characteristics of the control system of which compensation is a part.

**Organizational Characteristics**

The organizational context variables that can affect sales force motivation and performance include management practices and policies (Walker, Jr, & Ford, 1977). The responsibilities of and expectations for a salesperson should be clearly communicated through management practices and policies (Churchill, Ford, Hartley, & Walker, 1985; Teas, 1981). Typically, the objectives and expectations of the sales force compensation strategy are well communicated to the sales force. Clearly communicating the company’s pricing policies and expectations to the sales force may seem intuitive however the challenges of creating a pricing policy given product or service cost characteristics, communicating the price to the market, watching for market responses, and monitoring the outcomes (profit maximization or market share growth) are the principal foci of pricing literature and pricing professionals (Anderson, Wouters, & van Rossum, 2010; Dolan, 1987; Feldman, 2005; Tellis, 1986; Voss, Parasuraman, & Grewal, 1998). Nagle et al. (2002) make the case that although inconsistent pricing decisions occur in order to resolve short-term issues they also produce long term repercussions that include “conflict not only within the firm, but also between the firm and customers who become aware of the inconsistency” (p. 31). Unclear or inaccurate expectations are
detrimental to sales force motivation. Setting high expectations will manifest perceptions of conflict when those expectations are not met (Maltz & Kohli, 2000). Intentional miscommunication between marketing and sales regarding product strategies has been noted in previous research. For example, Strahle, Spiro, and Acito (1996) note, “Several marketing executives admitted misleading their sales managers about products to keep them pushing volume” (p. 14). This research suggests that the lack of clearly communicated pricing strategy expectations is an indicator that the pricing and sales force compensation strategies may be misaligned.

Central to expectations is how a salesperson perceives his/her role. Role perception, as described in (Walker, et al., 1977), “includes role accuracy, perceived role ambiguity, and perceived role conflict; all three variables are related to the salesperson’s perceptions of his role partners’ expectations and demands” (p. 159). The lack of clarity regarding job expectations and the criteria on which performance is evaluated contribute to a salesperson’s role ambiguity (Miles & Perreault Jr, 1976). Misaligned pricing and sales force compensation strategies are a source of negative role perceptions for the sales force.

Role accuracy, as defined by Walker et al. (1977) pertains to the quality and precision with which the salesperson understands the demands expected of them by the supervisors. Perceived role ambiguity occurs when a salesperson feels information asymmetry is constraining her/his ability to adequately meet performance expectations. Role ambiguity is associated with confusion and uncertainty for the salesperson (Walker et al., 1997) and it is negatively related to the salesperson’s effort instrumentality (Singh, 1998) and behavioral performance (Miao & Evans, 2007). Singh (1998) found that sales
force role conflict, role ambiguity, and role overload influence job tension, turnover intentions, and performance. In situations of high role ambiguity, as when the strategies are not aligned, the salespeople get mixed messages as to what activities, behaviors, and job tasks will be most effective in accomplishing performance goals (Jaworski & Kohl, 1991). Moreover, the salesperson is confused as to the hierarchy of expectations, how expectations should be met, and what criteria will be used to evaluate performance (Walker, et al., 1977).

Research by Pritchard and Sanders (1973) found that role perceptions, external constraints, and ability to accomplish objectives contribute to the salesperson’s perceptions that an increase in effort would not increase performance. In some instances, the salesperson may perceive the effort required to positively affect performance to be so high that it is beyond his or her capacity.

A salesperson perceives a conflict with their role when they are required to meet multiple concurrent but incongruous demands (Churchill, Ford, & Walker, 1976; Tyagi, 1982; Walker, 1977). The boundary spanning role of the sales force significantly contributes to perceived role conflict as the salesperson is trying to satisfy both their external customer and internal managers (Evans, Margheim, & Schlacter, 1982). Perceived role conflict has been found to reduce salesperson confidence and his or her ability to meet expectations, although did not significantly influence salesperson motivation (Churchill et al., 1976; Evans et al., 1982).

Role conflict can be resolved and behavior predictability increased when managers unify strategy goals and operational activities (Menon et al., 1999). In agency theory, uncertainty is managed by balancing risks and rewards through the use of
compensation contracts (Eisenhardt, 1988). In general, strategies that are not aligned with the sales force compensation strategy contribute to increased perceived risk, uncertainty, and role conflict for the salesperson. Because of the high informational content of pricing strategies and the fact that pricing is a key selling tool, it is possible that the misalignment of the pricing and sales force compensation strategies in particular will be a significant contributor to salespersons’ role conflict, and ultimately a detrimental influence on their perception of required effort. However, these specific relationships have not been explored in the literature. This dissertation will examine these relationships and further propose that aligning the pricing and sales force compensation strategies toward congruent goals will positively influence the salesperson’s perception of effort, instrumentality, and motivation.

Sales Force Control Systems

Agency theory is the foundation of much of the sales force control systems research that focuses on improving sales force performance (Anderson & Oliver, 1987; Shipley & Jobber, 1991; Misra, Coughlan, & Narasimhan, 2005; Hoskisson, Castleton, and Withers, 2009). A control system, as defined by Anderson et al. (1987), “is an organization’s set of procedures for monitoring, directing, evaluating, and compensating employees” (p. 76). In an effort to improve firm performance, the goals of the sales force compensation strategy are typically related to the firm’s objectives (Coughlan & Sen, 1989). The organization’s control systems are designed to solve two issues at the heart of agency theory: the difficulty in monitoring sales force behavior and the need to mitigate varying attitudes toward risk (Eisenhardt, 1989).
Research by Anderson et al. (1987) classifies sales force control systems into outcome-based and behavioral-based systems. Outcome-based control systems consist of commission-based compensation tied to performance quotas that are aligned with the firm’s performance objectives (Anderson et al., 1987). The benefits to the organization of an outcome-based control system include transferring risk from the organization to the sales force and reducing the managerial resources needed to measure sales force inputs (Anderson et al., 1987; John & Weitz, 1989; Lo, Ghosh, and LaFontaine, 2011). However, the relatively low levels of direct managerial control featured in outcome-based control systems may increase salespersons’ role ambiguity and exacerbate his or her perceptions of the transferred risk, resulting in an increase in stress and turnover intentions (Singh, 1998).

The characteristics of the behavior-based control system include a salary-based compensation and the infrastructure for monitoring and controlling sales force inputs (Anderson et al., 1987; Piercy, Cravens, and Lane, 2012). One benefit to the organization of a behavior-based control system is increased managerial control, or the ease with which the organization can direct the sales force to “perform certain behaviors as part of the company strategy without the necessity of convincing each salesperson that the strategy is valid” (Anderson et al., 1987, p. 78).

The more comprehensive the behavior-based compensation program the more likely the manager will measure performance only on a limited amount of qualitative criteria (Anderson et al., 1987). Performance evaluations of behavior-based compensation programs are based on subjective ratings of the sales manager, which may be perceived as unfair as increased effort may not be rewarded (Anderson et al., 1987).
The successful execution and evaluation of the company’s pricing strategy depends upon the behaviors and performance of the sales manager and sales force (Lancioni et al., 1993). Again, given the high informational content of the pricing strategy and the importance of price as an instrument of sales, it is interesting to note that the sales force performance literature has not explored how the organization’s pricing strategy influences the salesperson’s perception of risk. This study will explore the extent to which the alignment of the pricing and sales force compensation strategies toward congruent goals might lower the salesperson’s perceived risk.
CHAPTER 2 (ESSAY 1)

EXPLORING THE EFFECTS OF PRICING ON THE SALES FORCE AND THE FIRM: THE ADVERSE IMPACT OF STRATEGIC MISALIGNMENT

ABSTRACT

While the marketing strategy implementation literature suggests that collaboration between the marketing and sales areas may ensure successful implementation of a firm’s strategy (Malshe & Sohi, 2009), pricing and sales force compensation strategies have not been directly linked together in a research study. Pricing and compensation have been identified separately as possible problem domains for agency issues where the principal and the agent have different goals and risk preferences (Eisenhardt, 1989) and areas representing conflict for top management teams (Bourgeois & Eisenhardt, 1988). When pricing and the sales force have been examined together, it has been to answer the question: “Under what compensation system is it appropriate for a salesman to have control over price?” (Weinberg, 1975, p. 937). However, the pricing delegation literature does not address marketing components such as product and promotion management of which pricing is a key element. This study fills a void in marketing literature by investigating the detriments of misalignment, as well as the benefits of alignment of the
pricing and sales force compensation strategies in relation to the salesperson, the marketing-sales interface, and the performance of the firm.

This research originated from a real-world problem that businesses regularly face. The problem setting referenced in Chapter 1 occurred in a Fortune-250 B2B company. The reasons for the failed marketing strategy were misattributed to other causes, and the firm did not look to the misalignment of goals as a potential source of the problem. The pricing and sales force compensation strategies are the two revenue generating strategies for a company. While it would seem logical for managers to align the goals of these two strategies, the reality is that organizations are often outward focused and reacting to changes in the structure of the industry. The challenge for managers is to develop an in-house concentration where goal alignment is deliberate, and the benefit of goal alignment is improvement in firm performance.

Misalignment of the pricing and sales force compensation strategies can affect the sales force by creating ambiguous roles for the sales force as they experience confusion and uncertainty as to which activities are actually required to meet performance expectations. Multiple concurrent goals can create a conflict in roles for the salesperson trying to satisfy the external customer as well as the internal customer, the marketing and sales managers (Miles & Perreault Jr, 1976). Conflicting goals increase the salesperson’s perception of risk. In an attempt to achieve a multitude of goal expectations the salesperson may, therefore, lose sight of the preferred role and goal of the selling organization. The purpose of this essay is to explore the existence and ramifications of misaligned goals of the pricing and sales force compensation strategies.
RESEARCH METHOD

As the nature of this research is exploratory, given the lack of literature on pricing and sales force compensation goal alignment, a qualitative, grounded theory approach was appropriate (Flint, Woodruff, & Gardial, 2002). A qualitative data collection method of in-depth interviews is appropriate for obtaining a first-hand (key informant) account of a phenomenon (Strauss & Corbin, 1990). The phenomenon of interest in this dissertation is the effects of misaligned goals of the pricing and sales force compensation strategies. Through the process of inductive reasoning, this research develops an understanding of how misaligned goals negatively affect salesperson behavior, the sales force, and organizational resources and communication. “Inductive reasoning is a type of thinking that involves identifying patterns in a data set to reach conclusions and build theories” (Hair Jr., Celsi, Money, Samouel, & Page, 2011, p. 276). The literature by Strauss et al. (1990) establishes the primary criteria for the grounded theory approach guiding this research. The criteria include an explanation of how and why the sample was chosen, how the theoretical formulations guided the evolution of the protocol and data collection, and how predominant and representative the concepts were.

Sample

The purposive (judgment) sample chosen for this research is the B2B sales professional. A purposive sample is one representing elements unique to the research interest and “are chosen because the researcher believes they represent the target population, but they are not necessarily representative,” (Hair Jr., et al., 2011, p. 175). This sample was chosen in a deliberate and non-random manner. The B2B sales manager and the salesperson are intimately familiar with the process of enacting a firm’s pricing
policies to their customers and achieving sales force compensation goals. Elements unique to the sample in this research include: 1) sales professionals who were responsible for a range of customers, not just one key account, and 2) the salespeople who were responsible for administering the firm’s pricing strategy yet had limited pricing authority (with upper management approval only). The total sample of 15 sales professionals included seven sales managers and eight salespeople. There was one instance in which the salesperson and his/her manager were both interviewed. Table 1.1 details the sample used in this dissertation. The details of the two phases of data collection are to follow in the data collection section (Phase One = 8 interviewees and Phase Two = 7 interviewees).

Table 1.1. B2B sales professional

<table>
<thead>
<tr>
<th>Count</th>
<th>Objective (n=15)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Job Title</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales Manager</td>
<td>7</td>
<td>46.70%</td>
</tr>
<tr>
<td>Salesperson</td>
<td>8</td>
<td>53.30%</td>
</tr>
<tr>
<td><strong>Sales Experience</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt; 5 years</td>
<td>1</td>
<td>6.70%</td>
</tr>
<tr>
<td>6-10 years</td>
<td>2</td>
<td>13.30%</td>
</tr>
<tr>
<td>11-15 years</td>
<td>1</td>
<td>6.70%</td>
</tr>
<tr>
<td>&gt; 16 years</td>
<td>11</td>
<td>73.30%</td>
</tr>
<tr>
<td><strong>Current Job Experience</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt; 5 years</td>
<td>12</td>
<td>80.00%</td>
</tr>
<tr>
<td>6-10 years</td>
<td>1</td>
<td>6.70%</td>
</tr>
<tr>
<td>11-15 years</td>
<td>0</td>
<td>0.00%</td>
</tr>
<tr>
<td>&gt; 16 years</td>
<td>2</td>
<td>13.30%</td>
</tr>
<tr>
<td><strong>Commission Compensation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0%</td>
<td>2</td>
<td>13.30%</td>
</tr>
<tr>
<td>1-5%</td>
<td>7</td>
<td>46.60%</td>
</tr>
<tr>
<td>6-25%</td>
<td>3</td>
<td>20.00%</td>
</tr>
<tr>
<td>26-50%</td>
<td>1</td>
<td>6.70%</td>
</tr>
<tr>
<td>51-75%</td>
<td>0</td>
<td>0.00%</td>
</tr>
<tr>
<td>76-100%</td>
<td>2</td>
<td>13.30%</td>
</tr>
</tbody>
</table>
Table 1.1 continued.

<table>
<thead>
<tr>
<th>Misaligned Goals (pricing &amp; sales force compensation)</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>yes</td>
<td>7</td>
<td>46.70%</td>
</tr>
<tr>
<td>no</td>
<td>8</td>
<td>53.30%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Gender</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>5</td>
<td>33.30%</td>
</tr>
<tr>
<td>Male</td>
<td>10</td>
<td>66.70%</td>
</tr>
</tbody>
</table>

Overall, this group of sales professionals had many years (Mean = 21 years) of sales experience, however relatively few years (Mean = 4.7 years) of experience with their current employer. Only one salesperson in the sample had 0-5 years of experience in the sales profession. There were two individuals (13.3%) who had 6-10 years of sales experience. One individual (6.7%) had 11-15 years sales experience. The majority, 11 (73.3%) of the sales professionals had greater than 16 years of experience. Experience with the current employer yielded differing results with 12 sales professionals (80%) working for their current employer for 0-5 years. There was one individual who had 6-10 years of tenure with their current company. Only two sales managers had greater than 16 years of experience with the current employer. The majority (66.7%) of sales professionals were males.

When the sales managers recounted the percent of annual salary that is commission for the sales force they did so from a company perspective by reporting on how the sales force in general is compensated. The salespeople interviewed reported their individual percent of annual salary that is commission. To avoid confusion, all of the commission percentages are reported from a company perspective. There were two (13.3%) companies that compensated salespeople solely on a salary basis. For the
majority (46.7%) of companies, commission comprised 1% to 5% of annual salary for the sales force. The percent of annual salary that is commission ranged from 6% to 25% for three (20.0%) of the companies that participated in this study. One sales organization (6.7%) offered commission between 26% and 50% of annual compensation. Commission percentages ranging from 76% to 100% occurred in only two (13.3%) sales organizations.

Interestingly, when the sales professionals were asked “Have you ever faced a situation in which the way the company priced and promoted its products did not match with your [your sales force’s] incentive/compensation structure?” the responses were “yes” from seven (46.7%) sales professionals and “no” from eight (53.3%) sales professionals. The response to the misalignment question differed in the interview with the sales manager and the direct report at the same company. The salesperson stated, “Yes.” The sales manager replied, “No.” The sales manager did concede that the pricing strategies for some products, relative to how the salesperson is paid, meant that the salesperson “needs to go out and work harder.”

Context

The context of this study is companies in B2B markets. Manufacturing or industrial sales and sales to wholesalers are subsets of B2B markets. Research by Weitz (1978) states “Industrial sales situations are characterized by a relatively high level of involvement by both the salesperson and customer and a continuing relationship between both parties of the interaction” (p. 514). The sales professionals interviewed for this research sell in B2B markets and include both industrial sales and sales to wholesalers. Sales situations involving sales to wholesalers and distributors are characterized by large
volume orders, downward pressures on price, and a trend towards the commoditization of
products (Draganska, Klapper, & Villas-Boas, 2010; Kopalle et al., 2009). The sales
professional’s role in B2B markets is critical to the success of the selling organization.

Data Collection

Prior to the pilot interviews, roundtable discussions with salespeople were
collected to confirm the nuances of the selling environment, as well as the nomenclature
of the interview protocol. Once the initial interview protocol was established, the data
collection began. Data collection was completed in two phases. The first phase involved
a pilot study with sales managers and salespeople from several industries (insurance and
financial services, automotive aftermarket, B2B consumer electronics, and recreational
sports equipment). The target sample size for this phase was eight interviews: four sales
managers and four salespeople. Research by Guest, Bunce & Johnson (2006) suggests
that when using a purposive and relatively homogeneous sample that six to twelve
interviews can provide quality information. The eight transcribed interviews for the pilot
phase provided saturation on occurrences of misaligned goals and unique effects on the
sales force and the organization. A further discussion of the findings is addressed in the
analysis section.

Telephone interviews lasting forty-five minutes to one hour were held with each
salesperson or sales manager. The sales professionals were asked a series of questions
about how their company established prices and how their sales compensation package
was constructed (the protocol is provided in Appendix A). A series of open-ended
questions were asked to elicit possible misalignment of the goals of the pricing and sales
compensation strategies. The objectives for Phase One were: 1) to better understand
whether and how misalignment of the goals of the pricing and sales compensation strategies may occur, and 2) to refine the interview protocol.

The pilot interviews began in November of 2011 and were finished in December of 2011. A review of each audio file was done while the files were being professionally transcribed. Once the transcribed files were completed the text files were read while listening to the audio files to ensure transcription accuracy. The pilot interviews were coded and segregated into the key concepts. The protocol was continually refined to facilitate specificity, range and definition of each concept (Corbin & Strauss, 2008).

Phase Two interviews began in July of 2012 and finished in February of 2013. The target sample size for Phase Two was a total of seven interviews: three sales managers and four salespeople. Saturation of the data continued in Phase Two. The protocol did not change after September 2012.

**Interview Protocol**

In-depth interviews with semi-structured protocols are especially useful in uncovering complex processes, and provide a degree of relevancy to the topics under investigation (Bartholomew, 2000). In the B2B marketing literature, in-depth interviews have been used effectively in contexts in which limited research has been conducted (Flint, Woodruff, & Gardial, 2002; Madhavan & Grover, 1998; Tuli, Kohli, & Bharadwaj, 2007; Ulaga & Eggert, 2006). Importantly, the semi-structured interview protocol affords greater flexibility to prompt and probe into a given situation (Bartholomew et al., 2000). Since this dissertation explores the complex sources of misalignment of goals that are created in different divisions of the organization and the
implications of this misalignment, the use of a structured, in-depth-interview approach is especially well suited to the context.

The goals of the interviews were to identify a) sources of incongruent goals of the pricing and sales force compensation strategies within organizations, b) behaviors of salespeople that result when the goals were incongruent, c) inefficient use of organizational resources, and d) ineffective communication as a result of incongruent goals of the pricing and sales force compensation strategies.

Corbin & Strauss (2008) state that “The original question in a qualitative study is often broad and open-ended. It tends to become more refined and specific as the research progresses and the issues and problems of the area under investigation are defined” (p. 41). The specificity and range of these concepts was enhanced with changes to the protocol. For example, in the initial protocol, the question used to identify the motivational influence of a firm’s pricing strategy was “Can you tell me about a time when you felt any more or less motivated to sell/perform by price structure, price changes, or other things out of your control?” In the first interview, the response from the sales professional confirmed a situation where the selling company changed brands of a product and increased their selling price to the market by 20 percent.

The sales manager, TW13 stated, “It was a tough sell for the salespeople because it was such an increase in cost to the customer and the salespeople could not envision [the customer paying that much for this new brand].” The sales manager went on to say, for him “It was a hard struggle to educate the sales force and the customer as to why the price of this new brand of product was increased so much higher than the originally offered brand of product.”

After this interview, the original question in the protocol was followed with a question regarding the concept of customer satisfaction which asked “When you look at
product pricing, how does price affect the amount of customer satisfaction you have established [your sales force has] to sell a product successfully?” In addition, a question was added to inductively probe for situations where the salesperson’s perceived risk of being unsuccessful was affected as a result of a pricing strategy. The extended question was framed as “In general, how does your organization’s pricing approach affect your [your sales force’s] ability to sell effectively? Does it cost you sales/customer satisfaction? <Probe for either positively or negatively. Probe for examples of salesperson risk or perceived effort.>.” In Appendix A, the original protocol is displayed in regular text and the changes are listed in bold, italicized text.

In accordance with a grounded theory approach, this dissertation “should help the reader to assess some of the components that emerged from the actual research process” (Corbin & Strauss, 1990, p. 16). Table 1.2 illustrates the codebook that was created using an iterative process as suggested by Guest et al. (2006). In this process, each code has four parts: 1) a full definition that explains the concept; 2) a “when to use” section that gives instances, based on the data, of how to identify the concept; 3) a sample of a quote extracted from the data representing the concept; and 4) respondent interviews that have occurrences of this specific concept.

**Interrater Reliability**

After the interviews were conducted and transcribed, two judges worked independently to code a random subset of the transcripts for common themes. The coders then discussed the major themes and defined each theme based upon mutual agreement. The judges then independently coded each transcript for the presence of the main themes. All disagreements among the judges were resolved by discussion. Intercoder reliability
was assessed using the established procedures of Rust and Cool (1994). The resulting interrater reliability score was .89, exceeding the .70 threshold for acceptable reliability.

Table 1.2. Illustration of codebook

<table>
<thead>
<tr>
<th>Concept</th>
<th>Definition</th>
<th>When to use</th>
<th>Sample of coded item</th>
<th>Respondents with occurrences of the concept</th>
</tr>
</thead>
<tbody>
<tr>
<td>Misaligned goals</td>
<td>The goal of the pricing strategy (either profit maximization or market share growth) is incongruent with the goal of the sales force compensation strategy (either profit maximization or market share growth).</td>
<td>Two different goals for the pricing and sales force strategies exist. <strong>Code associated with this concept:</strong> Goal conflict.</td>
<td><em>Unfortunately, it’s more to the customer’s benefit because in this market we’re always being pushed down on price. I like my prices to be high and I like the margin to be there [where I need it]</em>. <em>(KB6)</em></td>
<td>EJM4, KB6, MR7, MQ8, PS9, SD11, TE12, TW13, TA14, WW15</td>
</tr>
<tr>
<td>Adverse selling</td>
<td>The negative activities that salespeople conduct during the selling process.</td>
<td>When the sales professional engages in a tactic or activity during the selling process. Examples include: planning, not performing job responsibilities, and gaming the system. <strong>Code associated with this concept:</strong> effect of pricing on sales performance, multiple goals, offsetting noncompetitive prices with other resources, customer relationship building, and sales person role conflict.</td>
<td><em>If the product sales amount was too small, even though it is new business, I don’t get compensated... I am not motivated to sell that product.</em> <em>(DL3)</em></td>
<td>BR1, CS2, DL3, EJM4, JG5, KB6, MR7, MQ8, PS9, RS10, SD11, TE12, TW13, TA14, WW15</td>
</tr>
<tr>
<td>behaviors of the</td>
<td></td>
<td></td>
<td><em>This situation requires a great deal more effort on the part of the sales manager, to educate the sales force, and for the sales force to educate the customers on why they should buy this new brand and pay more.</em> <em>(TW13)</em></td>
<td>BR1, CS2, DL3, JG5, EJM4, KB6, MR7, MQ8, PS9, RS10, SD11, TE12, TW13, TA14, WW15</td>
</tr>
<tr>
<td>salespeople</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales force</td>
<td>The salesperson’s anticipated amount of cognitive and physical energy and time required for a job task.</td>
<td>When the sales professional suggests that his/her effort has been or will need to be increased or decreased. <strong>Code associated with this concept:</strong> effort, motivation, sales effort (perceived), sales force performance, sales person role conflict, sales professional helplessness no control, trust.</td>
<td></td>
<td>BR1, CS2, DL3, JG5, EJM4, KB6, MR7, MQ8, PS9, RS10, SD11, TE12, TW13, TA14, WW15</td>
</tr>
<tr>
<td>perceived effort to</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>be successful</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Perceived risk of</td>
<td>The perceived degree of relationship a person sees between his/her actions and likelihood of not achieving the desired outcome.</td>
<td>When the sales professional perceives that their ability to perform and achieve the desired level of accomplishment has been compromised. <strong>Code associated with this concept:</strong> instrumentality, perceived risk- ability to be competitive, perceived risk of achieving a goal, price adjustments, sales force performance, organizational resources.</td>
<td><em>Even with 90 percent of market share you still have to be careful with pricing. If you open the door for your competitors to come in, you will be screwed. You will lose customers [and everything else] and then you will regret having administered the price increase.</em> <em>(SD11)</em></td>
<td>BR1, CS2, DL3, EJM4, JG5, KB6, MR7, MQ8, PS9, RS10, SD11, TE12, TW13, TA14, WW15</td>
</tr>
</tbody>
</table>
Table 1.2 continued

<table>
<thead>
<tr>
<th>Concept</th>
<th>Definition</th>
<th>When to use</th>
<th>Sample of coded item</th>
<th>Respondents with occurrences of the concept</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost to monitor sales force outcomes</td>
<td>The use of resources as they relate to managing, monitoring, or evaluating sales force tactics, activities, and outcomes.</td>
<td>When the sales professional indicates a monitoring, reporting or evaluative process. These included both planned and unplanned. Codes associated with this concept: cost of monitoring sales, monitoring sales, promotion non-price related, sales person perk</td>
<td>&quot;The computer will not let the salesperson enter an order or sell something cheaper than the established price. The salesperson has to get a manager to sign off on something like that; especially, if you are trying to do a favor for a customer [that is on a higher price level].&quot; (TW13)</td>
<td>BR1, CS2, DL3, EJM4, LG5, KB6, MR7, MQ8, PS9, RS10, SD11, TE12, TW13, TA14, WW15</td>
</tr>
<tr>
<td>Use of organizational resources</td>
<td>The inefficient and unauthorized use of organizational resources, and loss of tangible and intangible resources.</td>
<td>When the sales professional indicates an inefficient or unauthorized distribution of an organizational resource. Codes associated with this concept: offsetting noncompetitive prices with other resources</td>
<td>&quot;A salesman who is paid commission to sell volume, has a product that’s high-priced and to try to get a customer to buy at the higher price, they throw in free freight or they throw in terms, or they scrounge around and find something throw in to offset the high price. It happens every day.&quot; (WW15)</td>
<td>BR1, CS2, JG5, KB6, MR7, MQ8, PS9, RS10, SD11, TE12, TW13, WW15</td>
</tr>
<tr>
<td>Quality of Organizational Communication</td>
<td>Quality of communication is the interpersonal, transactional, symbolic process by which individuals achieve and maintain understanding.</td>
<td>When the sales professional represents the selling organization in a message. When an organization communicates to the market. When the quality of communication between the sales and marketing departments is mentioned. Codes associated with this concept: Customer relationship building, external communication, goal conflict, internal communication, organizational communication</td>
<td>&quot;A couple of years ago, when I was with my other company, we had price changes three or four times a year. It was really uncomfortable to call the customer to tell them, &quot;Guess what, we are going to change the prices, AGAIN. &quot;&quot; (PS9)</td>
<td>BR1, CS2, DL3, JG5, KB6, MR7, MQ8, PS9, RS10, SD11, TE12, TW13, TA14, WW15</td>
</tr>
<tr>
<td>Inter-functional relationship between marketing and sales</td>
<td>The inter-dependence and relational environment between the marketing and sales functional areas.</td>
<td>When the respondent mentions the marketing department or pricing manager. (Can be positive or negative connotation.) Codes associated with this concept: interface between marketing and sales and marketing and sales dept. conflict.</td>
<td>&quot;Initially the marketing department was separate from the sales department. There were some very clear disconnects when marketing and sales weren’t working close together. There were missteps in the promotion and more importantly, a lack of sales support out of the marketing department.&quot; (BR1)</td>
<td>BR1, CS2, DL3, EJM4, KB6, MR7, MQ8, PS9, RS10, SD11, TE12, TW13, TA14, WW15</td>
</tr>
</tbody>
</table>

Key Emergent Concepts

The following seven concepts emerged from the data as being affected by misaligned pricing and sales force compensation goals:

- selling behaviors of the sales force;
- perceived effort by the salesperson;
- perceived risk of being unsuccessful;
- cost of monitoring sales force outcomes;
• use of organizational resources;
• quality of organizational communication;
• inter-functional relationship between marketing and sales.

In this section, each of the seven concepts will be explained. Then a series of propositions will be developed focusing on the relationship between each of the emerging concepts and the misalignment of the goals of the pricing and sales force compensation strategies.

The concept of goal misalignment originated out of a phenomenon experienced by the author. Despite the fact that the author had a working understanding of the goals of both the pricing and sales force compensation strategies, confirmation of the ubiquity of these goals in B2B markets was required. Conversations with salespeople prior to the pilot interviews confirmed that the goals of both the pricing and sales force compensation strategies generally were focused to either maximize profit or grow market share. Throughout the interviews, when prompted to focus on one product group or product line, the goal of the pricing strategy was communicated as either profit or “the high-end”, or market share growth or “the low-end.” All of the sales professionals interviewed confirmed having either profit maximization or market share growth as a sales goal. Once these goals of profit maximization and market share growth were confirmed, the process of uncovering the concept of misalignment began.

The nature of goal misalignment and the seven concepts emerged from the data through described events, actions, and/or feelings from those interviewed. The following section details how these concepts emerged.
Goal Misalignment

Misaligned goals of the pricing and sales force compensation strategies occurred in approximately 50% of the companies represented by sales professionals interviewed for this study. All of the sales professionals acknowledged the salesperson’s dependence on price as a tool. A sales manager (TE12) suggested “if anything they may use price as a crutch.” This study suggests that when the goals are misaligned the organization is restraining the sales force from accomplishing the sales goal for which they are being compensated. As a sales manager (TW13) stated in reference to changes in pricing and the stationary market share growth target for his salespeople,

One was different from the other. It didn’t matter what they did with the pricing. Your growth expectancy still remains. They want you to grow 20%-30% before you hit your bonus and it does not matter whether the pricing has changed during the year.

During the interview process, the concept of having congruent goals for these two strategies seemed foreign to some and familiar to others. Therefore, two approaches were used to identify if the company’s goals for their pricing and sales force compensation strategies were incongruent. The first approach was to have the sales professional think about the goals of each strategy separately. The sales professional was asked “Is your compensation based on profit margin goals or market share growth goals?” Later in the interview the sales professional responded to the following question, “Are the goals of the pricing strategies apparent or communicated to the sales force?” All individuals responded “yes” and communicated the specific goal of the pricing strategy. When asked about the goals of these two strategies in a separate fashion, nine sales professionals (60.0%) indicated that the goals were incongruent with each other. The second approach included the question, mentioned earlier, “Have you ever faced a
situation in which the way the company priced and promoted its products did not match with your [your sales force’s] incentive/compensation structure?”, which yielded a response of seven (46.7%) sales professionals stating “yes”. Several sales professionals recounted incidents they observed relating to other salespeople with regard to pricing acting as a constraint to sales performance. As the interviews progressed the negative effects of misalignment were apparent on the sales force, the misuse of organizational resources, the quality of organizational communication, and the quality of the inter-functional relationship between the marketing and sales functions.

**Adverse Selling Behaviors of the Sales Force**

When continually comparing the transcribed interviews, more refined concepts affected by the misaligned goals of the pricing and sales force compensation strategies emerged, such as adverse selling behaviors. Misaligned strategies may encourage salespeople to adversely adapt their selling behaviors. For example, MQ8 is a salesperson who earns commission on market share growth while the pricing goal is admittedly based on profit. When MQ8 perceives that the price of the product is too high for the customer, MQ8 offers the following,

*I work out a deal with the customer offering free freight or whatever provides the customer with more value.*

The salesperson who has access to resources within the selling organization will invest his/her time seeking ways to counteract the high selling prices. If adverse selling behaviors were on a continuum perhaps spending time “giving away profit” instead of making new sales would be on one end and on the opposite end would be abstaining from selling certain products entirely. Salesperson DL3, who is compensated on profit margin
maximization, talked about refraining from selling products not priced high enough. DL3 reports,

*If the product total is a small value even though it is new business, I don’t get anything... I am not motivated to sell that product.*

Salesperson SD11 is compensated on market share growth yet his company prices the products SD11 sells with a profit maximization objective. SD11 sells to wholesalers. The company that SD11 sells for has a published price sheet however SD11 has found a way to circumvent the system. In fact SD11 comments,

*You know, we are legitimate, we publish our pricing list and we stick to it. But then there are also pricing levels. Every company, whether they admit it or not, has multi-pricing levels. The levels are contingent on the purchasing power [purchasing volume] the customer has. If a company is just starting out, and I know this person and I know he is going to be good. I will help him out with a better pricing level.*

The Marketing department of SD11’s company has likely established pricing levels to reward companies that buy large volumes with lower prices in an effort to protect the margin opportunity in the resell channel. Typically these buying companies have significant overhead and demand large margins when pricing to their end customers. When SD11 offers the product to a start-up company (likely with less overhead than the large company) at the large volume customer price level it affords the start-up company the opportunity to undercut or “lowball” the large company’s selling price with the exact same product. The long term ramifications of SD11’s behaviors will erode the referent price of the product in the end-user market, and the company’s large customer will become extremely angry. Meanwhile, SD11 is growing market share by opening start-up companies albeit at less margin than was designed by marketing with the pricing strategy.
Perceived Effort to be Successful

Effort is defined as the amount of cognitive and physical energy and time invested in a job task (Jaramillo & Mulki, 2008; Rangarajan, Jones, & Chin, 2005). Perceived effort would then be the salesperson’s anticipated amount of cognitive and physical energy and time required for a task. Organizations establish sales thresholds for the sales force and award outcome or behaviors with compensation. Sales management literature states that sales force control systems are thought to be able to direct efforts. “Control systems have an impact on the salesperson’s thoughts and feelings and certain behaviors” (Oliver & Anderson, 1994, p. 60). This study finds that indeed the pricing strategy influences a salesperson’s perceptions of the effort believed to be required to be successful. The pricing strategy in concert with the goal of the sales force compensation strategy enables the salesperson to evaluate and determine the effort needed and react accordingly. Sales manager EJM4’s sales force is compensated on market share growth and the firm’s pricing strategy is profit maximization. EJM4 commented on the various levels of sales force effort,

When the sales force knows that the price of a product is hot and right [lowest in the market], they are in the field pushing and selling. When the sales force knows that the price of a product is about the same as the competitors, that is how they treat it, just the same as everybody. When they know that the price of a product is too high, way out of line with the market, they will not even try to sell it.

Sales manager TW13 remembers a situation where the selling company switched to a brand of product and priced the product 20% higher than the originally carried brand. The sales force, compensated on market share growth, perceived that it would take too much effort to try to convince the customers to buy. TW13 states,
This situation requires a great deal more effort on the part of the sales manager to educate the sales force, and for the sales force to educate the customers on why they should buy this new brand and pay more.

**Perceived Risk of Being Unsuccessful**

As discussed in Chapter 1, risk is deliberately induced and transferred to and from the sales force and the company through sales force control systems. Outcome control systems require very little managerial involvement, include objective performance evaluations, are associated with pay for performance compensation methods, and as a result, transfer risk to the salesperson (Oliver, et al., 1994). In contrast, behavioral control systems require extensive managerial involvement through monitoring, evaluation, and approval processes. Behavioral control systems are associated with a larger salary component of compensation whereby risk is maintained with the company (Oliver et. al., 1994).

To understand how the concept of the salesperson’s perceived risk of being unsuccessful emerged from the data as an important concept in this study, sales manager TE12 stated,

*In the last two years, price has moved up to the number two or three top challenge [to overcome] as reported by the sales force.*

Sales manager TW13, whose team is compensated with a market share growth goal, speculates the reason for his/her organization’s high profit margin requirement on product pricing is the result of the organization’s low purchasing power. This company must pay a higher price for the components, and may attempt to recoup the higher costs with a higher priced product. However, the resulting price was higher than the market referent price. In response to management’s growth expectations (year over year, double digit growth), TW13’s level of perceived risk of being unsuccessful is high,
There is always going to be somebody that is going to buy from you because it is convenient. But when it comes down to fighting it out on the streets [for new market growth] unless the selling company has their costs under control, and can price the product competitively, you are not going to grow the business and you are not going to make it as a salesperson.

One of the sales managers interviewed explained that once a year, the salesperson and the manager sit down together and establish the bonus thresholds for the coming year. The manager, TE12, stated,

*It is a team process with feedback. It doesn’t do us any good to put unrealistic goals. The salesperson knows the market better than anyone else. Admittedly, there is a fine line between sandbagging and setting goals way too high and that is the negotiation point. The salesperson and the sales manager agree on a goal that is motivating and not demotivating.*

Another concept that emerged from the interviews that is related to a salesperson’s perceived risk of being unsuccessful is a salesperson’s perception that he/she can be competitive selling the company’s product offering. The perception of being competitive is most relevant when the competition is intent on stealing business from the salesperson. The threat of losing a big customer as a result of pricing can put a salesperson’s sales goal and commission or bonus at risk. This occurs even with the salesperson participating in establishing the sales goal threshold. Again, comments from sales manager TE12,

*We have a customer that is an $800 million distribution center. Our salesperson is saying the customer is threatening to leave. If we want to keep the business we have to meet their new price demand. The selling company produces original equipment quality parts and the large distributor is threatening to pull the business and go with an off-shore supplier whose selling price is 70% of our selling price. It caught the salesperson and me off guard.*
In this case, the actions of the selling company and the customer determine the salesperson’s reward outcome and the salesperson will likely perceive a high degree of risk in not achieving the sales goal, hence his/her bonus.

One sales professional participating in this study expressed concerned with pricing although the company enjoys near monopoly in the market. This salesperson still fears the competition coming in and eroding what the sales force has accumulated.

Comments from salesperson SD11 (compensated on market share growth),

Even with 90 percent of market share, you still have to be careful with pricing. If you open the door for your competitors to come in, you will be screwed. You will lose customers [and everything else] and then you will regret having administered the price increase.

When the goals of the pricing and sales force compensation strategies are misaligned the salesperson perceives a higher risk of being unsuccessful. Perceived risk is very real to salespeople. If performance goals are not met, the salesperson is out of a job. Sales manager, BR1 confirms,

I remember releasing salespeople that were not producing. I let them go because I do not think they were working hard enough or perhaps they felt it was too difficult to sell and just didn’t produce.

Cost to Monitor Sales Force Outcomes

When an organization establishes the sales force compensation strategy, the resources for monitoring and systems for evaluating are also in place. Moreover, the monitoring costs are anticipated. When goals are misaligned the frequency of failed goal attempts increases. Organizations do not grow if the sales force is not achieving sales goals and salespeople do not remain in positions when sales goals are not met. The organization that employs SD11 has misaligned goals. SD11’s organization has created
extensions or exception-monitoring programs to accommodate the occurrences of failed sales goals. Salesperson SD11 who is compensated on market share growth noted,

_We get evaluated on a quarterly basis. If you hit your sales goal, you get commission. If you do not [hit your sales goal] you are in the hole for the next quarter review. You have to make up the prior quarters negatives or deficits before you can earn commission. This continues throughout the year._

A profit maximization compensation strategy is associated with a behavioral control system that requires a great deal of managerial input, monitoring, feedback, and guidance. Once the behavioral control systems are part of daily operation, it is cumbersome for an organization to manage a market share growth price promotion. Managers get conditioned to measure changes in specific matrices. A requirement of an effective sales force control system is that the sales force comprehends the parameters on which they are being evaluated. Behavioral control systems would likely measure profit margin growth and return on sales, which are completely different matrices than revenue market share and/or customer or market penetration. In the problem setting referenced earlier, the organization, which compensates the sales force based on profit, tried to run a market share growth price promotion in a specific region. The organization did not have standard reports in place that would show the incremental growth of sales in units per salesperson. The results of the first month were not readily available to the salespeople. The organization enlisted the aid of an employee from the accounting department to create a report for the remaining two months of the promotion. At the end of each month of the promotion, the managers met to discuss possible ways to positively influence the outcome of the promotion. The application of ineffective solutions cost the company
resources and created extra audit measures for the added delivery service. This problem stemmed from misaligned goals.

A market share growth compensation strategy is associated with an outcome control system requiring minimal supervisory monitoring, evaluation, and input. A sales force evaluated on outcomes, not behaviors that it takes to achieve these outcomes, performs his/her job duties with a high level of autonomy (Oliver & Anderson, 1994). The benefits of an autonomous sales force with a goal to grow market share are placed in double jeopardy when the challenge of misaligned pricing (profit maximization goal) is combined with an organizational restriction on who can change prices. With sales goal achievement at risk, the members of the sales force will either continually appeal to their supervisor and/or other members of the management team for relief, or they will circumvent organizational procedures that manifest in misattributed loss of resources.

Unplanned events in business cost managers time and detract from efficiencies and growth. Salesperson MQ8 references the additional supervisory involvement needed when faced with a compensation goal of growing market share, but when forced to sell products with increasing prices,

In searching for something to offset the higher prices for one particular order, I will go to my manager and explain the customer situation and ask if the manager will approve a five percent discount for the customer paying for the order cash in advance or a two or three percent discount if the customer pays in ten days. I am not empowered to authorize these things.

Sales manager TW13 comments,

The computer will not let the salesperson enter an order or sell something cheaper than the established price. The salesperson has to get a manager to sign off on something like that, especially if you are trying to do a favor for a customer.
Sales manager TE12 discusses the process that his company goes through when a salesperson requests lower than listed prices,

*When the salesperson comes to management and says, “We need a 10 to 15 percent price reduction on this part to continue our sales volume with this customer and here is what is going on,” management gets together and determines if we can do this or not. If we can’t, then we try to buy a couple of days, or weeks to get our purchasing and procurement guys involved and say, “Listen, we have to get a better price.”*

One of the most proximal drains on organizational resources is an increase in costs to monitor and manage the sales force. This drain increases with misaligned goals of the pricing and sales force compensation strategies.

An organization that has aligned goals for the pricing and sales force compensation strategies has processes and systems in place that are conducive to the flow of information throughout management. A sales manager (CS2) who is in an environment in which the pricing and sales force compensation goals are both market share elaborates,

*We have an automated process called the SPAR process, Special Price Authorization Request. The form asks the salesperson to key in responses to basic questions that management would want to view. For instance, who is the competition, what is the competitive price, what is it the competitors are offering and for how long. As the sales manager, I have authorization to deviate from the published price and offer a discount. All of the details are in the computer system and everything is done up front.*

**Organizational Resources**

This research is specifically concerned with the inefficient and unauthorized use of organizational resources that may result from misaligned goals. Resources at risk of being commandeered are those that do not impact the sales force compensation or the compensation goal. The interviews revealed the losses of tangible and intangible
resources are often undetected or erroneously misattributed to conditions other than the misaligned goals of the pricing and sales force compensation strategies. A salesperson compensated on market share growth may misappropriate organizational resources if it results in growing his/her territories market share. Sales manager TW13 makes the point about such a situation,

*If your prices are not that great [compared to competition], and you want to win the sale, we have told customers that we will deliver to them [free] four and five times a day whereas the competition will only come twice.*

Opening new accounts and securing new business is a responsibility of the sales force. Salesperson MR7 is compensated on market share growth and is expected to open new accounts and secure new business. When a salesperson spends nearly half of his/her time in pricing negotiations with customers, there is limited time for prospecting. Also at risk is the current customer base, as constant negotiation slows down the selling process. A reduction in speed or frequency of the selling process results in fewer products in the market, in other words, a smaller share of the market. In the words of the salesperson (MR7) compensated on market share but tasked with selling products priced to maximize profit,

*I have a particular area in my territory that is an extremely competitive market, it is a big market and for that reason is very important. It is hard for us to meet the customer’s price requirements. Most of the time, we do not give the customer the price they are requesting. It frustrates the customers. I spend 60 to 70 percent of my time in price negotiations in this region. Overall, I spend 40 to 50 percent of my time talking to customers about price.*

The hidden costs of misaligned goals erode an organization’s profits. Considering the total number of customer orders an organization processes in a year, these losses could be substantial.
Organizational Communication

The scope of organizational communication used in this research includes messages to and from the external market partners as well as to and from the internal marketing and sales areas. “Quality communication is the interpersonal, transactional, symbolic process by which individuals achieve and maintain understanding” (Montgomery, 1981, p. 21). Quality communication occurs between individuals, such as a salesperson and a buyer, when they can interpret meaning using verbal and nonverbal cues. Quality communication is a process of constant interactions and develops over time (Montgomery, 1981). Consider the situation where the organization is not clearly communicating to the customer the need to frequently adjust prices; however, the salesperson is sufficiently clear on his/her communication regarding the frequent price adjustments. The sales professionals interviewed for this study stated that the pricing information was shared with customers by another functional area of the organization. However, the salesperson called their customers to have a follow-up conversation to explain why the price adjustment (usually an increase) occurred. Salesperson PS9 is compensated on market share growth and the goal of the pricing strategy is profit maximization. The organization that PS9 sells for strives to maintain a high profit margin and as raw material costs increase the organization quickly passes those costs on to the customers. PS9 could have chosen to improve the quality of communication regarding the numerous price increases by listing and explaining the various sources of the increase. Instead, PS9 who is compensated on market share growth corrodes the communication with negative attitude. PS9 commented,

* A couple of years ago, when I was with my other company, we had price changes three or four times a year. It was really uncomfortable to call the
The frustration that the salesperson felt toward the organization was transmitted to the customer. In this situation, misaligned goals of the pricing and sales force compensation strategies do not benefit the salesperson nor do they benefit the customer. It is likely that the reputation of the selling organization was tainted and that the customer was empathetic towards PS9. Had PS9 been compensated on profit maximization, hence the goals of the pricing and sales force compensation strategies aligned, then PS9 may have been more motivated to clarify the organization’s communication.

Salesperson KB6 explains a situation involving an original equipment manufacturer (OEM) that tried to gain entrance into the aftermarket. An OEM typically commands a high profit margin for the products. Aftermarket manufacturers are not held to the same standards of an OEM and therefore sell at a much lower referent price. Salesperson KB6 was hired by the OEM, compensated on market share growth, and was tasked with growing business in the aftermarket with high profit margin prices. In addition to the misaligned strategies, the OEM lacked the product marketing infrastructure required to participate in the aftermarket. KB6 explains the lack of product information and how this lack of product communication impeded the sales process. KB6 stated,

*The quality of the product was good but their prices were too high. On the price list the company listed their part number and a price. The sales force was not given a medium with which to communicate the benefits of the high priced product. There was no interchange to industry numbers, and no reports that communicated product comparisons to competitors’ products.*
A low quality of internal communication may signal to the customer that there are other problems throughout the salesperson’s organization. KB6 eventually became so frustrated that he quit the company.

**Inter-functional Relationship between Marketing and Sales**

Trade publications and academic literature have documented the sometimes venomous relationship between marketing and sales. Tenuous relationships between marketing and sales are made worse when the goals of the pricing and sales force compensation strategies are misaligned. From the salesperson’s point of view, the pricing strategy is created by marketing, and marketing is out of touch with the market reality. The sales force is responsible for the implementation and success of the pricing strategy, yet the sales force has limited or no input and the sales force compensation goals are not considered. A good example of this is reported by sales manager CS2,

> Here we are siloed. We have a VP of Marketing and a VP of Sales. The fact of the matter is that sales and marketing are butting heads. The marketing people are over in their fiefdom doing their stuff, and they are not telling us what they are doing. They think they communicate, but they don’t and they complain about us. The marketing guys complain, “Sales guys are dumb and don’t know what they are doing. Having separate leaders for sales and marketing is obstructing the pursuit of sales growth here.”

Misaligned pricing and sales force compensation goals are a forecast for imminent failure of one or both strategies. Sales manager BR1 managed a sales force compensated on market share growth, and responded,

> Initially, the marketing department was separate from the sales department. There were some very clear disconnects when marketing and sales weren’t working close together. There were missteps in the promotion and more importantly, a lack of sales support out of the marketing department.
The success of a pricing strategy is co-owned by the marketing and sales functional areas. Research by Malshi et al. (2009) demonstrated that “successful strategy creation and execution requires both functions (marketing and sales) to be equally invested in the entire process” (p. 401). Malshi et al. (2009) found that “an open exchange of ideas” and a mutual “understanding of the market reality” were necessary to facilitate the “three main stages (groundwork, transfer, and follow-up) of marketing strategy making across the marketing-sales interface” (p. 415).

When misaligned goals emerge from the two functional areas, relationships are unnecessarily complicated.

**PROPOSITIONS**

In the following section a series of propositions are developed based on the literature and interviews. These propositions elucidate the significant challenges that organizations face when the goals of the pricing and sales force compensation strategies are misaligned.

**Misalignment and Sales Force Behavior**

Weitz (1981, p. 85) develops a contingency framework based on the idea that the effectiveness of sales behaviors are at least in part determined through the interactions of “sales behaviors, resources of the salesperson, the nature of the customers’ buying task, and characteristics of the salesperson-customer relationship”. The resources belonging to the salesperson include his/her sales ability, knowledge about the product and customer, and personal characteristics (Weitz, 1981). In the qualitative study, Weitz (1981) mentions the extent to which company resources are available to the salesperson to use or offer as a way to satisfy customer needs. Company resources include, “the company
reputation, price, delivery, and terms” (Weitz, 1981, p. 93). Experienced salespeople become adept at identifying the company resources that can be easily offered to the customer in consolation for high prices. The salesperson deliberately offers resources to customers that pose no compensation repercussions to themselves, albeit come as a cost to the selling organization. The effectiveness of the sales behavior relates to the salesperson adapting to the sales environment only when the “result in the benefits outweighs the costs of practicing adaptive selling” (Weitz, Sujan & Sujan, 1986, p. 176).

Sales manager EJM4 provides an organizationally supported solution,

*We instruct the salespeople that if they need, what we call display units, they can give them to the customer free of charge. We are willing to give the unit away if necessary to garner the business. The salespeople have certain added value tools that they can use to bring the value of the order to where it needs to be to compete against the low ball price of a competitor.*

Salespeople are trained to highlight the quality of the products or services and accentuate the customer service element of the company when persuading a customer to buy (Lancioni & Gattorna, 1992). Talking about price too early can diminish the salesperson’s opportunity to properly sell the products or services to the customer (Lancioni & Gattorna, 1992). Pricing that is broadcast directly to the customers pre-empts the salesperson’s ability to highlight the benefits of the company or any possibility of upselling to a more profitable or expensive product. Placed in a situation where the customer already has knowledge of the pricing and the salesperson has conflicting goals of the pricing and sales force compensation strategies, requires that the salesperson become creative at adding value for the customer or creative in the selection of products to sell or not sell. Misalignment increases the likelihood that one or more goals will not
be achieved. Actively including both sales and marketing in the strategy development process increases the chance for goal alignment and strategy success.

Misalignment of strategies occurs at the time of strategy development within the respective functional areas. Marketing and sales collaboration must be supported with aligned goals and processes (Le Meunier-FitzHugh et al., 2011; Rouziès et al., 2005). A disjointed planning process between the marketing and sales interface may negatively impact firm performance (Rouziès, et al., 2005). In practice, the pricing strategy critically impacts the ability of the sales force to effectively achieve their goals and compensation (Joseph, 2001; Weinberg, 1975). Anecdotally, managers dismiss claims made by the sales force of lost sales as a result of an unresolved price issues but they never really know for sure. The sales force suffers from alienation of their own firm where misalignment exists, while simultaneously attempting to form long-term relationships with their customers. The disenfranchisement of the sales force from the firm due to misalignment is not only costly in the form of reduced sales, but also likely to be contagious to the customer resulting in reduced satisfaction with the firm.

Performance expectations and demands accumulate to establish the role of the salesperson (Walker et al., 1977). If the expectations and demands are in conflict, choosing and completing the appropriate task to improve the salesperson’s performance becomes difficult. For example, consider a sales strategy with a goal to increase market share by eight percent. In this scenario, for the sales force compensation strategy and the evaluative process to be effective, both would focus toward gaining market share. However, if frequent price increases by the marketing area occur in response to a dynamic customer environment or internal changes, this transmits confusing messages to
the sales force. In this example, the activities and behaviors of the sales force would be representative of a market share growth strategy while the frequent pricing increases suggest the pricing for a product with a profit maximization strategy.

Pricing and sales force compensation strategies that have misaligned elements and conflicting goals cause confusion with regard to the evaluative standards and processes established for the sales force. The outcomes as a result of goal misalignment may yield effective yet objectionable sales behavior. Thus,

P1: When the pricing and sales force compensation strategies are not aligned toward achieving congruent goals, there is a negative effect on the selling behaviors of the sales force.

**Perceived Effort**

When a firm has multiple incongruent goals governing the sales force, the results may be chaotic for the sales force. The lack of clarity of expectation can cause the sales force to experience role ambiguity (Miles and Perreault Jr, 1976), and role ambiguity increases the effort that salespeople perceive will be necessary to complete a task (Singh, 1998). Evidence of the resulting effort inefficiencies may also be visible to the external market through the sales function. In an attempt to offset escalating prices and preserve a competitive level of customer value in the face of a conflicting compensation package, for example, the sales force may scramble to offer easily available resources that may be perceived as benefits to the customer but are unnecessarily costly to the organization.

A commonly exhibited agency problem is that the goals of the principal are different from the goals of the firm (Eisenhardt, 1989). When the pricing and sales force compensation strategies are aligned toward congruent goals the expectations of the sales
force are clear and role and goal ambiguity is reduced. Allowing the sales force to focus on clear goals ensures the opportunity for success. For example, consider two pricing strategies: one that supports a profit maximization goal and one that supports a market share growth goal. In general, a profit maximization price strategy removes the lengthy price negotiation and allows the sales force to concentrate on performance enhancing behaviors such as offering customers the right product or service solutions. A market share growth price strategy can lengthen the sales process for the salesperson as discounted pricing may invite frequent price negotiations while the customer attempts to find the bottom or lowest price. However, a market share growth goal for the price strategy can also help the organization gain access to new market share. If the sales force compensation strategy is aimed toward market share growth, and the pricing strategy is also aimed at market share growth, then the salespeople have the pricing tools, the direction from management, and the reward structure they need to go out and sell, and ultimately improve the firm’s performance through gaining market share. Misaligned pricing and sales force compensation strategies invite the perception of lengthy price negotiations, intense manipulation of the sales environment, and unachievable performance expectations. Thus,

P2: The misalignment of the goals of the pricing and sales force compensation strategies increases the salesperson’s perception of effort needed to be successful.

**Perceived Risk**

Uncertainty and subsequent resulting risk is present in the sales environment because of the unpredictable changes in customer needs and competitor strategies (Bergen, Dutta, & Walker, 1992). An organization also introduces conflict into the sales
environment by altering policies and activities in response to multiple market changes. The salesperson uses past experiences and knowledge of the environment to assess the risks of being successful and adapts his or her behaviors to reduce that risk. Sales manager EJM4 reiterates, 

_Salespeople will always take the path of least resistance in order to make a sale. They may make more money if they sell at a higher price and put in more effort, however they would rather make the sale than chance not making the sale._

In highly complicated or involved selling situations the salesperson will work first to mitigate his or her risk regardless of the optimality for the company. A salesperson’s perceived risk involves achieving sales goals and consequent compensation awards. In accord with previous research in this area, this dissertation assumes that the organization is risk neutral and the sales force is risk averse (Basu, Lal, Srinivasan & Staelin, 1985). Elements of the sales force control system are intended to address the behaviors of a risk-averse sales force (Anderson et al., 1987; Basu et al., 1985; Lal & Staelin, 1986). The organization assumes the risk when the sales force compensation is salary-based (Anderson et al., 1987). A salaried contract releases the salesperson from compensation penalties should the salesperson’s behaviors fail to yield the desired sales results. Other ways the organization can mitigate sales force perceptions of risk through elements of the control system include: 1) engaged-monitoring by sales management, and 2) the inclusion of the salesperson when establishing sales strategy evaluative standards (Anderson et al., 1987). When a salesperson is clear about the sales goals and methods of evaluation, the salesperson will perceive less uncertainty and therefore less risk (Bergen, Dutta & Walker Jr, 1992).
Role conflict occurs when the salesperson is required to meet multiple incongruent demands (Churchill et al., 1976; Tyagi, 1982; Walker et al., 1977). When the goals of the pricing and sales force compensation strategies are misaligned the salesperson perceives role conflict and therefore risk. When product pricing goals are not matched with the goals of the salesperson’s compensation package, mixed signals are sent to the salesperson. The salesperson may be motivated by the compensation package, yet a pricing strategy aimed at goals incongruent to the compensation goals increases the uncertainty and risk that the salesperson will be successful in both achieving his or her objectives as well as the firm’s objectives. Thus,

P3: The misalignment of the goals of the pricing and sales force compensation strategies increases the salesperson’s perceived risk.

Costs to Monitor Sales Force Outcomes

Anderson et al. (1987) define a control system as: “an organization’s set of procedures for monitoring, directing, evaluating, and compensating its employees” (p. 76). The organization benefits from reducing monitoring costs as a form of process improvement, which in turn increases manager efficiency and effectiveness. The sales force control mechanism, of which sales force compensation is a part, is the most comprehensive part related to the costs of a firms’ product or service. Sales force compensation plans that are salary-based require more levels of sales management to monitor and assess behavior (John & Weitz, 1989). Companies can invest in the high costs to monitor sales force efforts or develop a compensation program based on performance (Basu, et al., 1985).
Multiple goals and differing strategies dilute the monitoring efforts of the sales manager. The effect of diluted sales manager effort is an increasingly inefficient and costly sales mechanism. Sales force control systems do not accommodate performance monitoring on goals external to the sales department. While pricing and other marketing strategies rely on the execution of the sales force, they require additional monitoring and direction from the marketing manager (Malshe et al., 2009). When pricing and sales force compensation strategies are aligned toward congruent goals, marketing and sales manager resources required to monitor and guide the efforts and behaviors of the sales force are streamlined and more efficient. Misaligned goals increase monitoring redundancies and promote contradictory standards for evaluation of sales force performance. Hence,

P4: The misalignment of the goals of the pricing and sales force compensation strategies increases the cost of monitoring sales force outcomes.

Organizational Resources

Scarcity of organizational resources is a fact of life for businesses. To achieve high levels of performance, organizational resources such as budgets, time, energy, information, and personnel must not be wasted. Past literature considers the importance of committing both tangible and intangible resources to ensure successful strategy implementation (Menon, et al., 1999; Siguaw, Brown & Widing, 1994). The failure to support these strategies and to work with full efficiencies leads to discord in the interactions between the sales force and the firm, resulting in constraints to sales or worse, an inability to do business with the customer.
Efficient development of pricing strategies involves incorporating information from other functional areas such as costs from production, capacity and carrying costs from inventory management, lead times, minimum order quantities, and costs of raw material or components from procurement, and profit margin guidelines from accounting. The creation, implementation, and maintenance of a pricing strategy depends on a high level of information exchange between marketing and sales (Rouziès, et al., 2005). The challenge of information exchange between the marketing and sales interface is confounded as a result of the orientation differences of their respective areas (Cespedes et al., 1996; Homburg et al., 2007). The diversity of the product orientation for marketing and customer orientation for sales is most apparent when the pricing and sales force compensation strategies are not aligned toward the same goal. Over time, the above referenced situation and the causes of firm failure will likely be misattributed to obscurely related events such as poor sales forecasting, customer account selection, or ineffective target marketing. The effects of inefficiencies such as divergent orientations are multiplied when the pricing and sales force compensation strategies are not aligned toward congruent goals.

Top management must be supportive in providing resources needed to maintain inventory levels, breadth of product lines, efficient processes, and sufficient budgets to facilitate the strategies. Firm commitment to pay the sales force commission or increasing sales force expenses to ensure the success of a pricing strategy is another example of the availability of organizational resources. When the pricing and sales force compensation strategies are not aligned to achieve the same goals, the firm can experience an inefficient use of tangible and intangible resources. Therefore,
P5: The misalignment of the goals of the pricing and sales force compensation strategies results in the inefficient use of organizational resources.

**Communication**

The efficiencies created by aligned strategies include deliberate and focused sales force effort and efficient use of organizational resources such as management evaluation time, and internal and external communication resources. The marketing-sales interface literature suggests that frequent, formal and informal, bi-directional communication will improve the integration of the two functional areas but may not improve the performance of the business unit or the firm (Kahn et al., 1997; Rouziès et al., 2005; Ruekert et al., 1987). Over-communicating can render both groups paralyzed with indecision and increase redundancies in the communication process (Fisher et al., 1997; Maltz & Kohli, 1996; Rouziès et al., 2005).

Effective communication across the marketing-sales interface must be bidirectional, of high quality, and must contribute to the purpose and goals whereby both areas benefit. The goal of the sales force compensation strategy should be considered the primary indicator of sales force activities. From an understanding of the sales force goal comes the possibility for open communication and collaboration between marketing and sales on the development of new marketing strategies. Research by Le Meunier-FitzHugh and Piercy (2009) demonstrates that effective communication is an important component of the collaborative effort. Bi-directional communication helps create an understanding of the goals of each of the areas and a broader understanding of the marketing environment (Malshe et al., 2009). A high level of quality communication is void of resource consuming redundancies and coerciveness (Fisher et al., 1997). Quality communication
between the functional areas promotes a unity of efforts that can enhance the creation of aligned, effective, and high quality strategies (Homburg et al., 2008; Malshe et al., 2009). Quality communication to the external market is imperative to the reputation and perception of the organization. As mentioned previously, internal inefficiencies and conflicting goals can manifest outward to the market affecting the customer and competitor perception of the inefficient organization.

Communication between the marketing and sales areas is challenging as a result of their differing temporal based (i.e., marketing is long term and sales is short term) and focus based (marketing is product focused and sales is customer focused) orientations (Homburg et al., 2007). Inefficient communication within the organization can transcend organizational boundaries and produce confusing and arbitrary communications to customers and competitors. Pricing and sales force strategies that are not aligned toward congruent goals suggest that the organization has difficulty integrating signals received externally from the market with the information internally communicated by the sales force and sales management. Therefore,

**P6: The misalignment of the goals of the pricing and sales force compensation strategies reduces the quality of organizational communication.**

**Intra-functional Relationships Between Marketing and Sales**

The domain of the marketing-sales interface is rich in research that establishes antecedents of integration, optimal levels of integration, and the benefits of integration. This domain of literature has found that through a harmonious collaboration of ideas and resources the marketing and sales areas will become better integrated (Kahn et al., 1997; Rouziès et al., 2005). The process of aligning the activities and tactics associated with
the pricing and sales force compensation strategies involves an allocation of meeting time
to facilitate bidirectional sharing of information and the coordinated use of resources
throughout the implementation and maintenance stages of the strategies.

Marketing-sales interface research has varied views on what constitutes activity
alignment. For example, research by Cross et al. (2001), Strahle et al. (1996), and Strahle
and Spiro (1986) suggests that the activities and tactics of the sales force are to be aligned
with the established marketing strategies. These works support the popular premise that
marketing creates the strategies and the sales force implements the strategies. The
disadvantage of this scenario is that strategy creators are not in control of the
implementation. The research that supports collaboration between the marketing-sales
interface suggests that the goals of the functional areas be aligned (Le Meunier-FitzHugh
et al., 2011). Aligned or congruent goals provide a focal point to which all efforts can be
unified.

Research that promotes a collaborative effort throughout the strategy creation,
implementation, and evaluative stages has found an increase in successful outcomes
(Malshe et al., 2009; Rouziès et al., 2005). Successful outcomes involving the joint-
planning process include higher quality strategies, increased value to the organization,
and a more complete integration of the marketing-sales interface (Homburg et al., 2008;
Menon et al., 1996; Rouziès et al., 2005). Involving the sales force in the marketing
strategy creation stage can help to determine potential customer issues and ensures buy-in
of the sales force at strategy inception (Piercy, 2006).

In practice and in extant literature, the likelihood of achieving long-term market
share and profitability through a pricing strategy seems elusive (Feldman, 2005; Uslay,
Altinig, & Winsor, 2010). Marketers struggle to seek balance between pricing their products and services competitively yet pricing to what the market will bear, all while focusing on their product goal objectives. Marketing managers have admitted to purposely misdirecting the sales force and sales management towards inflated sales volume goals to ensure sales volume objectives (Strahle, Spiro, & Acito, 1996). As long as the goals of the pricing and sales force compensation strategies are misaligned, the relationship between these two functional areas will continue to degrade.

Dewsnap and Jobber (2002) report that goal conflict and in-group identity negatively impact the relationship between marketing and sales. Generating revenue is the functional goal of the marketing and sales areas, and specifically the objective of the firm’s pricing strategy. The misalignment of the pricing and sales force compensation strategies limits the ability of the functional areas to optimize revenue generation. Research by (Hughes, LeBon, & Malshe, 2012) suggests that a dysfunctional marketing sales interface may delay the “development of market based capabilities and subsequent competitive advantage” (p. 69). Hence,

P7: Misalignment of the goals of the pricing and sales force compensation strategies reduces the quality of the intra-functional relationship between marketing and sales.

DISCUSSION

This research suggests that there are hazards of misalignment that affect the sales force and the organization. Ultimately, the danger of misaligned goals is the erosion of firm performance. Similarly, Rouziès et al. 2005 asserts that organization performance is reliant upon marketing and sales, “coordinating and supporting each other’s activities”
through new product launches (p. 121). Strategies that are aligned coordinate the activities and efforts of the marketing and sales departments facilitating goal achievement and benefiting firm performance.

As an extension of the marketing sales interface literature, this study suggests that a higher level of marketing sales integration will result from the process of creating goal focused, aligned pricing and sales force compensation strategies. Conversely, Menon, et al. (1999), suggests that a high level of integration must exist, through formalization of processes and determination of roles, before effective, quality strategies can be created (Menon, et al., 1991). Findings by Malshe and Sohi (2009) indicate that the creation of effective, quality strategies “across the marketing sales interface” is the result of a three step process that includes the creation, implementation, and evaluation (p. 415).

As mentioned previously, pricing literature has been intent on investigating the effects of a firm’s pricing strategy on the customer and the competitor (Smith & Nagle, 1995; Dolan, 1987, Cressman & Nagle, 2002). The most important contribution this research makes is identifying the effects of the firm’s pricing strategy on the sales force; specifically, unfavorable behaviors as a result of misaligned strategies. Some examples of unfavorable behaviors include the salesperson spending 30% to 50% of their time on price negotiations or refusing to sell an item because the low margin of the price did not meet the minimum margin threshold of the compensation program. Examples of salespeople giving away company profits include offering a customer free freight for the transportation of the goods or changing the customer’s price level to a lower, unsubstantiated level (outside of the organization’s parameter). Some manager’s may
perceive the “giving away of company profits” as stealing from stakeholders. However the salespeople view their actions as off-setting the risk of being unsuccessful.

The phenomenon of misalignment of goals emerged from the qualitative interviews. When questioned about the current sales objective, the sales professional was quick to respond it was either profit maximization or market share. The response was just as forthcoming when asked about the pricing goal. The result of the separate goal inquiries confirmed nine out of fifteen (60%) of the interviewees worked in environments in which misaligned pricing and sales force compensation goals were actively in effect. Only 47% of the interviewees acknowledged being in a situation where the way a company priced and promoted its products interfered with the sales compensation structure. Yet, nearly all of the sales professionals acknowledged and discussed mitigating the possibility of lost sales and/or compensation as a result of a pricing strategy. The participants of this research clearly articulated the repercussions of misalignment however could not identify the cause, which reinforces one of the original premises that often managers misattribute the effects of goal misalignment.

The two key concepts of perceived effort to be successful and the perceived risk of being unsuccessful emerged when some respondents communicated a sense of hopelessness when faced with the condition of misaligned goals. The salesperson perceived a greater amount of effort required to be successful under conditions of misalignment than when goals were aligned. The perceived risk of being unsuccessful emerged from the salesperson’s fears that the pricing would not allow them to compete and therefore fail to meet the expectations of both the selling firm and the customer. The sales force management literature confirms transferring risk from the firm to the sales
force via outcome based compensation methods as an inducement or motivator (Eisenhardt, 1989; Cravens et al., 1993). Different from the motivating element of an outcome based compensation method and strategy, the misaligned pricing strategy produced the perceived risk of being unsuccessful which was considered, by the salesperson, to be a de-motivating factor.

Using the sample of this study as being representative of B2B markets, misalignment is prevalent in at least half of the B2B organizations. For change to occur, managers must diligently look for the indicators of misalignment. One key indicator of misaligned goals is a failed pricing strategy and/or an increase in unplanned price negotiation on behalf of the sales force. Management must evaluate the goals for each product line and be cognizant that the amount of motivation and effort with which the sales force will engage in goal achievement are dependent on the goals of both the pricing and the sales force compensation strategies.

**FUTURE RESEARCH**

The propositional inventory provided in this paper serves as a launch pad for more research on the effects of marketing strategies upon the internal sales force. Empirical testing of the propositions will further theory development in the area of pricing and sales force behavior. The functional area of pricing has greatly expanded in the past ten years. Today, many companies employ pricing analysts, strategic pricing managers, and/or directors of pricing analytics. Research on the relationship between the pricing professional and the sales professional would provide more depth to this research stream.
CONCLUSION

This qualitative research provides a new direction for researchers to examine the firm’s pricing strategy as a motivational influencer on the sales force. Findings that emerged from this study indicate, as proposed, that conditions of a firm’s pricing strategy have resulted in adverse behaviors by the sales force. When the goals of the pricing and sales force compensation strategies were conflicted the salespeople conveyed perceptions of more required effort to be successful. In particular conditions the salesperson perceived the risk of being unsuccessful so high that they abstained from selling. Managing the sales force with misaligned goals gives cause to create new reports, extensions on evaluations, and more frequent less favorable performance evaluations. The sales professionals interviewed for this research want to do a good job. When the salesperson spoke about adding more value for the customer in an effort to salvage the sale, they were trying to please the customer and themselves. More importantly, the salesperson seemed to have the belief that obtaining the sale, regardless of the cost, was better than losing the sale to a competitor.

Aligning pricing and sales force compensation strategies toward a congruent goal would require joint planning between the marketing and sales functions, effective communication (internal to the firm and external to the market), sharing of organizational resources, and establishing expectations of outcomes and roles. The anticipated outcomes of aligning the pricing and sales force compensation strategies include an increase in customer satisfaction, reduced costs, and increased sales.
References


CHAPTER 3 (ESSAY 2)

THE EFFECTS OF (MIS)ALIGNED PRICING AND SALES FORCE COMPENSATION STRATEGIES ON THE SALESPERSON

In this essay, the focus shifts from an understanding of the relevant relationships between goal misalignment, the sales force, and the organization (Essay 1) to the effects that this misalignment has on the individual salesperson (Essay 2). The purpose of Essay 2 is to use expectancy theory to examine the impact that aligned versus misaligned goals of the pricing and sales force compensation strategies have upon the B2B salesperson’s motivation and behavior.

The first theoretical contribution of this research is to define the nature of alignment of differing goals for the pricing and sales force compensation strategies. Second, this research is designed to empirically determine how a firm’s pricing strategy influences salesperson motivation and behavior. Specifically, the lens of expectancy theory is used to understand the salesperson’s beliefs that he/she can actually be successful given a situation and how the achievement of his/her goals may influence how he/she is perceived internally by management and externally by customers. Additionally, the effects of these perceptions on motivation were examined. Finally, the impact on the
salesperson’s behavioral intentions, given conditions of alignment or misalignment of the pricing and compensation goals, was explored.

INTRODUCTION

Expectancy Theory

Expectancy theory prescribes that a salesperson’s actions are intentional and focused based on what the salesperson believes or anticipates will occur. Accordingly, the salesperson’s motivation to act in a certain way is a product of the beliefs that a salesperson has that a certain level of effort will create the necessary results and achieve certain rewards the salesperson values (Vroom, 1964). Historically, expectancy theory has been effective in determining sales force motivation (Oliver, 1974; Peters, 1977; Walker, Churchill, & Ford, 1977). The more recent expectancy theory-based research has concentrated on supportive leadership (Jaramillo & Mulki, 2008), incentive plans (Liccione, 2007), and strategy implementation (Smith, 2009). Each of these areas offers foundation for this research.

Vroom’s (1964) expectancy theory has been expounded upon and applied to salesperson performance (Oliver, 1974). The core constructs of expectancy theory include: 1) expectancy (the belief that one’s efforts will achieve the goal); 2) instrumentality (the belief that if one achieves the goal, certain rewards will be gained); and 3) valence (the value that one has for the earned rewards). These three constructs (expectancy, instrumentality, and valence) determine the salesperson’s motivation and subsequent behavior (Chiang, Jang, Canter, & Prince, 2008). “Expectancy theory is characterized by the view that behavior is purposeful, based on conscious intention, and goal-directed.” (Evans, Margheim & Schlacter, 1982 p. 34).
The concepts of effort and expectancy seem similar, however are contrary with regard to goals. When goal levels are high, salespeople perceive high effort. At the same time, however, lower expectancies are associated with high goal levels (Locke, Motowidlo, & Bobko, 1986). This research adopts the definition of expectancy referenced by Miao, Lund and Evans (2009): “Expectancy is a salesperson’s estimate of the probability that expending a given amount of effort on a task will lead to an improved level of performance” (p. 245). Expectancy has been referenced in literature as a probability estimate (Pritchard & Sanders, 1973) and as a higher or lower strength (Tyagi, 1982). In this research, the evaluation of expectancy is categorized as higher or lower, which indicates the salesperson’s estimate of the chance or probability that his/her performance will achieve the assigned sales goal.

Instrumentality is the salespersons’ perception of the link between a specific type or level of performance leading to a specific type or level of reward (Walker, et al., 1977). Instrumentality has been referenced in several different ways, such as positive, negative, or zero (Oliver, 1974), as high probability or low probability (Teas, 1981; Walker, et al., 1977), and as high level and low level (Hirschfeld, Schmitt & Bedeian, 2002). In this research, the evaluation of instrumentality is categorized as a strong link or a weak link, indicating the degree to which the salesperson believes a given level of performance will result in a given reward. Further, in this research both internal and external rewards are examined.

Valence is the salesperson’s perception of the value or importance of obtaining a specific reward (Pritchard et. al., 1973; Smith, 2009; Vroom, 1964). Oliver (1974), states that a salesperson could be indifferent toward a reward whereby valence would be
nonexistent. Past research has indicated that valence and instrumentality are highly correlated, and that the latter is a better predictor of performance than valence (Oliver, 1974; Pritchard & De Leo, 1973). Thus, this essay focuses exclusively on the impact of goal alignment and misalignment on expectancy and instrumentality.

**Pricing and Sales Force Compensation Goals**

This essay considers two main, but different, goals of an organization’s strategies: market share growth and profit maximization. Academic interest in the goals of market share growth and profit maximization include literature that debates the positive linear relationship between the two goals (Schwalbach, 1991; Sheth & Sisodia, 2002; Uslay, et al., 2010). The Rule of Three theory, developed by Sheth and Sisodia (2002), states that almost every industry evolves towards the existence of three large generalist companies that strive towards market share growth goals and a numerous amount of small, specialist companies that endeavor towards profit maximization goals. Then, there are those companies that Sheth and Sisodia (2002) claim live in the “ditch” with 5% to 10% of market share and are neither the generalist nor the specialist, whereby both strategies can be in play at any given time for any given product line. Within all companies, regardless of size, there exists the potential for the goals of the revenue generating strategies to become misaligned. The goals of market share growth and profit maximization each suggest a particular type of pricing and sales force compensation strategy.

**Market share growth**

*Pricing*

Pricing strategies with a market share growth goal are used to further penetrate a current distribution channel or to introduce a product to a new channel (Holden & Nagle, 1998).
Previous literature classified pricing strategies that had a goal of increasing market share to be characterized by discounted prices that offer buyers an incentive to purchase the product (Sethuraman & Tellis, 1991). Research by Anderson, Fornell, and Lehmann (1994) suggests that market share growth goals when accompanied with discounted prices can increase customer satisfaction.

**Compensation**

This research associates a market share growth goal with a sales force compensation contract that incents the salesperson to sell a high level of product volume. Such an outcome-based compensation program allows the salesperson autonomy in choosing their sales methods (DelVecchio & Wagner, 2011; Mahajan, Churchill Jr, Ford, & Walker Jr, 1984). Incenting a salesperson for improving an organization’s market share position in the market may produce short-term benefits for the salesperson. However, the long term effects of a market share growth goal for both the organization and the salesperson depend on the market continually expanding.

**Profit maximization**

**Pricing**

Firms may have a product pricing goal of profit maximization when they are able to make use of economies of scale, capitalize on add-on sales with products that are mutually dependent on one another, or exploit a competitive advantage such as vertical integration (Tellis, 1986). Lancioni and Gattorna (1993) suggest that an organization that develops pricing strategies with the goal of profit maximization “never compromises on price” (p. 3). Maximizing profits through pricing involves market research as to what the
customer is willing to pay and then raising “willingness to pay closer to the value received” (Nagle & Cressman Jr, 2002, p. 30).

**Compensation**

Sales force compensation contracts with a profit maximization goal are based on motivating the salesperson to achieve predetermined levels of gross margins. These types of contracts are typically accompanied by a significant salary component of the compensation package. Profit maximizing goals are established to ensure that sale of products below a predetermined margin will occur less frequently (Weinberg, 1975). The organization removes the risk of performance uncertainty when the compensation contract is salary, whereby the salesperson is guaranteed a salary regardless of the outcome (Eisenhardt, 1989). This allows the sales force to invest in activities such as customer relationship building and communicating product differentiation and diversification benefits.

**HYPOTHESES**

**Expectancy**

Expectancy theory suggests expectancy to be highest when the goals are easily achievable with no conflicts, as all efforts and energies contribute to increased performance levels. “Because difficult goals are harder to attain than easy goals, expectancy of goal success would presumably be negatively related to performance” (Locke & Latham, 2002, p. 706). Both aligned and misaligned goals can be perceived as difficult and challenging, however misaligned goals increase goal difficulty as a result of the goal conflict. Goal conflict is defined by Cheng et al. (2007) as “the degree to which individuals feel that performance expectations (i.e., goals) with respect to the multiple
dimensions of a task, or among multiple tasks, are incompatible” (p. 222). When the goals of the pricing and sales force compensation strategies are misaligned the salesperson’s levels of expectancy will likely be low.

Significant cognition is involved when a person attempts to determine the amount of effort that might be required to meet or achieve expectations, and then act upon that assessment (Bandura, 2001). When salespeople consider the expected goals to be challenging their efforts are intensified. The salesperson may achieve goals that are congruent with effort. However, misaligned goals pose the challenge of deciding which goal to pursue whereby failure is eminent. Salespeople can become despondent when failing to achieve difficult and conflicting goals. Research by Bandura (2001) states “if they read their failures as indicants of personal deficiencies; if they believe they are being exploited, coerced, disrespected or manipulated, they respond apathetically, oppositionally, or hostilely” (p. 5). Low levels of salesperson expectancy and apathetic behaviors are likely to occur when assigned, misaligned goals are perceived to restrict or limit salesperson compensation and sales growth. When a discounted pricing approach is encouraged by the firm the compensation contract encourages the salesperson to invest time building a customer relationship and an understanding of the customer needs. A profit maximization compensation strategy encourages the salesperson to sell the customer a product or service solution that brings the most profit to the selling firm. In this situation, the salesperson will perceive extremely low expectancies as the level of performance required to obtain the sales goal as insurmountable.

In the setting where the goals of the pricing and sales force compensation strategies are misaligned, the salesperson perceives low expectancies as a result of goal
and role conflict. In specific situations where the salesperson estimates that the probability of his/her efforts and activities will not improve his/her level of performance, the salesperson’s expectancy is the lowest. In this line of reasoning the following hypotheses are suggested:

Hypothesis 1a: When the goals of the pricing and sales force compensation strategy are misaligned, the salesperson’s expectancy will be lower than when the goals are aligned.

Hypothesis 1b: When the goal of the sales force compensation strategy is profit maximization and the goal of the pricing strategy is market share growth, the salesperson’s expectancy will be lowest.

Instrumentality

When the salesperson considers how his/her performance, and related activities required to obtain that performance, relate to the reward that he/she might obtain, the salesperson evaluates all of the organizational elements that enable the performance as well as the type of reward (Teas, 1981). For salespeople, rewards are not only financial, but also come in the form of recognition both internally from managers (Cron, Dubinsky, & Michaels, 1988; Pritchard & Sanders, 1973; Teas, 1981) and peers, and externally from customers (Teas, 1981).

When the pricing and sales force compensation goals are congruent, the signals to the market are echoing the efforts of the salespeople and the voice of marketing
(Homburg, Jensen, & Krohmer, 2008). As a result of goal alignment, the salesperson feels a part of the collective sales and marketing process that also serves to reduce the salesperson’s perceived risk that his/her objectives will not be met. In situations where there is goal alignment between the pricing and sales force compensation strategies the salesperson will perceive the opportunity to achieve the goal that may be challenging, but is realizable. This provides strong instrumentality for the salesperson. Therefore,

Hypothesis 2a: When the goals of the pricing and sales force compensation strategy are misaligned, the salesperson’s instrumentality will be weaker than when the goals are aligned.

Compensation contracts designed to incentivize salespeople to grow market share are based on providing commissions for achieving that outcome. These types of contracts are appealing because salespeople under these contracts require little supervision during the process, and instead management’s job is to measure whether the desired outcomes were achieved or not (Anderson et. al., 1987; Cravens, Ingram, LaForge & Young, 1993; Eisenhardt, 1989). Salespeople paid to grow market share, but armed with a list price and no authority to discount prices, will perceive little or no opportunity to achieve their objectives. With this type of goal mismatch, the progress of the sales force may be easy to monitor, but the sales force may consider the pricing too high to achieve required performance objectives. Instrumentality is low or weak if the salesperson perceives that there is no relation between his/her level performance and reaching a threshold or gaining a reward (Tyagi, 2010). With a goal of growing the market, but the constraint of no
flexibility on already higher prices, the salesperson may perceive reaching his/her goal impossible. Hence,

Hypothesis 2b: When the goal of the compensation strategy is market share growth and the goal of the pricing strategy is profit maximization, the salesperson’s instrumentality will be the weakest.

Motivation

Sales force motivation is an accumulation of individual perceptions that precludes performance outcomes (Oliver, 1974; Vroom, 1964). Expectancy theory not only identifies situational, organizational, and individual variables that influence behavior, the theory enables the exploration of the process by which these variables are influential (Tyagi, 1982). The expectancy theory framework has been expanded in past literature to include intrinsic and extrinsic motivation types (Oliver & Anderson, 1994; Tyagi, 1982). Given that intrinsic motivation has been demonstrated to be a rather stable, trait-like individual characteristic (Amabile 1993, 1994) and that the focus of this essay is on how pricing—a factor external to the salesperson—affects the salesperson, extrinsic motivation is the more relevant variable for this research.

Expectancy theory offers that motivation is the result of a multiplicative relationship between the salesperson’s perceived level of effort required to complete or accomplish a task to produce progress toward his/her overall performance objective and instrumentality (Broedlirig, 1975). Previous expectancy theory literature has found support for individual motivation and behavior being influenced by perceptions of his/her
environment (Oliver, 1974; Teas et. al., 1986). This well-established relationship among perceived effort, instrumentality and motivation is examined empirically in this study to illustrate the full influence of the interaction of pricing and sales force compensation goals on the salesperson. Hence,

Hypothesis 3: The interaction of the salesperson’s expectancy and instrumentality will be positively related to the salesperson’s extrinsic motivation.

**Behavioral Intention**

Behavioral intention is defined as “a person’s perceived likelihood or subjective probability that he/she will engage in a given behavior” (Committee for Communication for Behavior Change in the 21st Century, 2002, p. 31). According to the theory of planned behavior (Ajzen, 1991), behaviors are predetermined by behavioral intentions. A person’s behavioral intention occurs on a continuum as a measure of strength or degree of the intent (Armitage & Conner, 2001). This research references a low level of salesperson behavioral intention for a low degree of goal commitment and a high level of behavioral intention for strong or high degree of goal commitment.

The sales force compensation strategy is designed to direct salesperson behaviors such that the goals of the compensation strategy are achieved. When the salesperson is exposed to multiple or conflicting goals the intended behaviors of each of those goals lose priority or focus. Research has found that when an individual is experiencing goal conflict the performance of and commitment towards one goal is sacrificed at the expense of the other goal (Cheng, Luckett, & Mahama, 2007; Locke, Smith, Erez, Dong-Ok, &
Schaffer, 1994; Schmidt & Dolls, 2009). Misaligned goals of the pricing and sales force compensation strategies allow for the salesperson to subjectively determine which goals to pursue, in which behaviors to engage and to what extent. The consequence of misaligned goals of the pricing and sales force compensation strategies with regard to behavioral intention is the possibility of low behavioral intention. Hence,

Hypothesis 4: When the goals of the pricing and sales force compensation strategy are misaligned, the salesperson’s behavioral intention will be lower than when the goals are aligned.

**METHODOLOGY**

An experiment was used to test the hypotheses in this essay. The experiment was scenario-based, with a between-subjects design. The experiment was used to examine the differences in the expectancy, instrumentality, extrinsic motivation, and behavioral intention of B2B salespeople across different combinations of goals of pricing and sales force compensation strategies. The design was appropriate for this research as the use of scenarios allowed for a more powerful and controlled manipulation of goal alignment and misalignment. The study was designed to ascertain the ways in which a firm’s pricing strategy may influence the salesperson.

The context in which this study evaluated the effect of (mis)aligned goals of the pricing and sales force compensation strategies was B2B markets. B2B markets include industrial sales and wholesaling wherein there tends to be a commoditization of products and services resulting in downward pressures on price. Sales growth within the B2B market is dependent upon the organization’s sales force (Behrman & Perreault, Jr. 1982).
The organization’s profitability and market share are premised on the selling organization’s pricing strategies (Homburg, Jensen, & Hahn, 2012; Ramaswamy, Gatignon, & Reibstein, 1994). The decisions of the sales force and the price of the product or service are critical marketing components which influence success for an organization in B2B markets (Homburg, et al., 2012).

In the pretest and main study described in the following sections, B2B sales professionals were randomly assigned to one of four scenarios. In the scenarios the goals were either aligned or misaligned. Specifically, the goal of the pricing strategy was either market share growth or profit margin maximization, and the goal of the sales force compensation strategy was either market share growth or profit margin maximization. For ease of referencing throughout the rest of this section, the scenarios will be referenced by the designated acronym; the compensation goal is referenced first, the pricing goal is referenced second. Acronyms are shown below in Table 2.1.

Table 2.1. Scenarios

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Sales Force Compensation Goal</th>
<th>Pricing Goal</th>
<th>Acronym*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Misaligned</td>
<td>Profit maximization</td>
<td>Market share growth</td>
<td>PM-Mis</td>
</tr>
<tr>
<td>Misaligned</td>
<td>Market share growth</td>
<td>Profit maximization</td>
<td>MP-Mis</td>
</tr>
<tr>
<td>Aligned</td>
<td>Profit maximization</td>
<td>Profit maximization</td>
<td>PP-Align</td>
</tr>
<tr>
<td>Aligned</td>
<td>Market share growth</td>
<td>Market share growth</td>
<td>MM-Align</td>
</tr>
</tbody>
</table>

*The sales force compensation strategy goal is always referenced first within the acronym.

After reading the scenario, the participants in each group completed a brief questionnaire to assess whether the conditions influenced the salespeople’s level of expectancy, instrumentality, extrinsic motivation and behavioral intent. In addition, participants responded to a series of questions that were used for manipulation checks.
and to collect demographic information. The overall goal of the research design and methodology was to elicit perceptions from salespeople, across industry sectors, by placing them in a realistic selling environment inclusive of the manipulation of key factors under investigation.

An ANOVA is a test of group differences that determines whether or not two or more groups differ with respect to the one dependent variable. ANCOVA is a test of association or covariation to determine whether or not there is a relationship between two or more variables within a group. A covariate is a variable that is related to the dependent variable (expectancy, instrumentality, or behavioral intention). The objective of conducting the ANCOVA would be to remove the relationship of the covariate from the dependent variable prior to assessing the differences on the independent variables. ANOVA was used for the pre-test to isolate only the differences in means while the effectiveness of the scenarios was being assessed. The hypotheses tested included control variables, thus ANCOVA was used. To test if differences in means across groups existed in both the pre-test and main study, respondents were grouped.

Multiple tests were conducted both using the groupings based on the scenario viewed by the respondent (therefore, a four-level factor, see Table 2.1, Acronym column) and a second set of groupings represented the alignment or misalignment group (a two-level factor, see Table 2.1, Strategy column). The information within each factor is unique to each level or category. The factors representing the scenarios and alignment are categorical variables. A one-way ANOVA is used when there are categorical independent variables and one dependent variable (Leech, Barrett, & Morgan, 2008). A one-way ANOVA tests the differences in means based on the ratio of between group
variance to within variance. Previous marketing literature has used ANOVA to test variance with scenario-based, between-subjects experiments (Dutta, Biswas, and Grewal, 2007; Miao, Lund et al. 2009; Wagner, Hennig-Thurau, and Rudolph, 2009; Küster and Canales, 2011; Palazon, and Delgado-Ballester, 2009).

The following section provides details on the derivation of the instrument. Subsequent sections describe the pretest and main study procedures, statistical tests, results, and conclusions.

**Design**

The four scenarios were initially developed based on the scholar’s industry experience and refined through discussion with other B2B sales professionals. In marketing, the majority (70%) of experimental scenarios are created by the scholar himself/herself (Wason, Polonsky & Hyman, 2002). This convention was followed. After each scenario was developed, each scenario was rotated among the dissertation committee for refinement. Following the changes to the scenarios, each scenario was then shown to a group of salespeople for comments before the formal pretest.

Prior to the pretest an analysis of the scenarios was performed with a set of B2B salespeople. The objective was two-fold: 1) to confirm that the language of the hypothetical scenarios was appropriate for the salespeople; and 2) to maximize the differences among the scenarios. According to previous literature, the experimental conditions in the scenarios should be emphasized (Burstin, Doughtie & Raphaeli, 1980) and created to maximally differ from one another (Kerlinger, 1973).

The survey that followed the scenario included reflective multi-item measures obtained from extant literature for all latent variables. More detail on the scales used for
each variable will be provided in the pretest and main study sections. All items were adapted to fit the purpose of this study. The scenarios and pretest and main study survey items appear in Appendix B.

**Pretest**

The pretest instrument was administered in an online panel forum. Extreme care was taken to protect the validity of the context, which contributed to the challenge in obtaining a pretest sample of 60. The pretest was administered to 171 participants. However, 30 respondents were screened out of the survey as their current responsibilities did not include managing customers. Respondents who did not sell into B2B markets also were excluded from the survey, reducing the respondent count by 44. Two quality control filters were placed in strategic locations within the survey to ensure that respondents were indeed reading the questions. The quality control filters asked the respondents to “Please select Strongly Agree to continue” and “Please select Strongly Disagree to continue”. The 26 respondents who did not respond as directed were prevented from finishing the survey. A total of 11 respondents had not completed the survey within the 10 day activity period, therefore those surveys were excluded. The total pretest sample of 60 respondents is in accordance with previous literature (Diamantopoulos, Reynolds, & Schlegelmilch, 1994) which has suggested pretest sample sizes should be small (i.e., up to 100 respondents). The sample was spread across the four groups through the randomization of scenarios and established quotas for each group. The distribution of respondents across groups is listed in Table 2.2.
Table 2.2. Pretest respondents per condition

<table>
<thead>
<tr>
<th>Conditions</th>
<th>N = 60</th>
</tr>
</thead>
<tbody>
<tr>
<td>PM-Mis</td>
<td>16</td>
</tr>
<tr>
<td>MP-Mis</td>
<td>15</td>
</tr>
<tr>
<td>PP-Align</td>
<td>15</td>
</tr>
<tr>
<td>MM-Align</td>
<td>14</td>
</tr>
</tbody>
</table>

Demographics

The 60 sales professionals who participated in the pretest met two criteria: 1) they had account responsibilities, and 2) they sold in B2B markets. The demographics in Table 2.3 indicate that the sample was suitable and representative of B2B sales professionals and therefore appropriate for the pretest.

Table 2.3. Pretest participant demographics

<table>
<thead>
<tr>
<th>TABLE 2.3. Participant demographics (n = 60 salespeople)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variable</td>
</tr>
<tr>
<td>Job Title</td>
</tr>
<tr>
<td>Salesperson</td>
</tr>
<tr>
<td>Sales Manager with accounts</td>
</tr>
<tr>
<td>Other type of sales professional with accounts</td>
</tr>
<tr>
<td>Sales Experience</td>
</tr>
<tr>
<td>1-9 years</td>
</tr>
<tr>
<td>10-19 years</td>
</tr>
<tr>
<td>&gt; 20 years</td>
</tr>
<tr>
<td>Company Sales Experience</td>
</tr>
<tr>
<td>1-9 years</td>
</tr>
<tr>
<td>10-20 years</td>
</tr>
<tr>
<td>&gt; 20 years</td>
</tr>
</tbody>
</table>
TABLE 2.3. Participant demographics continued (n = 60 salespeople)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Number</th>
<th>Percent</th>
<th>Accum Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>39</td>
<td>65.0</td>
<td>65.0</td>
</tr>
<tr>
<td>Female</td>
<td>21</td>
<td>35.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Education</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High School/GED</td>
<td>9</td>
<td>15.0</td>
<td>15.0</td>
</tr>
<tr>
<td>Some College</td>
<td>11</td>
<td>18.3</td>
<td>33.3</td>
</tr>
<tr>
<td>2-Year College Degree</td>
<td>8</td>
<td>13.3</td>
<td>46.6</td>
</tr>
<tr>
<td>4-Year College Degree</td>
<td>25</td>
<td>41.7</td>
<td>88.3</td>
</tr>
<tr>
<td>Graduate Degree</td>
<td>7</td>
<td>11.7</td>
<td>100.0</td>
</tr>
<tr>
<td>Industry</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Software/development services</td>
<td>5</td>
<td>8.3</td>
<td>8.3</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>4</td>
<td>6.7</td>
<td>15.0</td>
</tr>
<tr>
<td>Retail</td>
<td>4</td>
<td>6.7</td>
<td>21.7</td>
</tr>
<tr>
<td>Automotive</td>
<td>3</td>
<td>5.0</td>
<td>26.7</td>
</tr>
<tr>
<td>Unknown</td>
<td>3</td>
<td>5.0</td>
<td>31.7</td>
</tr>
<tr>
<td>Electronics</td>
<td>3</td>
<td>5.0</td>
<td>36.7</td>
</tr>
<tr>
<td>Insurance/Risk Management</td>
<td>3</td>
<td>5.0</td>
<td>41.7</td>
</tr>
<tr>
<td>Computers</td>
<td>3</td>
<td>5.0</td>
<td>46.7</td>
</tr>
<tr>
<td>Clothing</td>
<td>2</td>
<td>3.3</td>
<td>50.0</td>
</tr>
<tr>
<td>Sales</td>
<td>2</td>
<td>3.3</td>
<td>53.3</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>2</td>
<td>3.3</td>
<td>56.6</td>
</tr>
<tr>
<td>TV/Cable</td>
<td>2</td>
<td>3.3</td>
<td>59.9</td>
</tr>
<tr>
<td>* 24 Industries</td>
<td>1</td>
<td>1.7</td>
<td>100.0</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>Commission % of Compensation</th>
<th>Number</th>
<th>Percent</th>
<th>Accum Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-9%</td>
<td>19</td>
<td>31.7</td>
<td>31.7</td>
</tr>
<tr>
<td>10%-19%</td>
<td>10</td>
<td>16.7</td>
<td>48.4</td>
</tr>
<tr>
<td>20%-29%</td>
<td>8</td>
<td>13.3</td>
<td>61.7</td>
</tr>
<tr>
<td>30%-39%</td>
<td>4</td>
<td>6.7</td>
<td>68.4</td>
</tr>
<tr>
<td>40%-49%</td>
<td>2</td>
<td>3.3</td>
<td>71.7</td>
</tr>
<tr>
<td>50%-59%</td>
<td>7</td>
<td>11.6</td>
<td>83.3</td>
</tr>
<tr>
<td>60%-69%</td>
<td>6</td>
<td>10.0</td>
<td>93.3</td>
</tr>
<tr>
<td>70%-79%</td>
<td>0</td>
<td>0.0</td>
<td>93.3</td>
</tr>
<tr>
<td>80%-89%</td>
<td>1</td>
<td>1.7</td>
<td>95.0</td>
</tr>
<tr>
<td>90%-99%</td>
<td>0</td>
<td>0.0</td>
<td>95.0</td>
</tr>
<tr>
<td>100%</td>
<td>3</td>
<td>5.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>
Pretest Analysis

The overall results of the pretest were not as strong as expected, and the hypotheses were not tested since one of the manipulation checks did not operate as intended. However, valuable insights were gained in the pretest (as is part of the purpose of a pretest), and changes that will be explained later were made to the main study based on these findings. The statistical program, SPSS 18, was used to determine descriptive statistics, assess the reliability of the scales with Cronbach’s alpha, and analyze differences across groups with ANOVA. The following sections evaluate the effectiveness of the manipulations and the reliability of the variables of interest during the actual pretest of the instrument.

Manipulation Check and Related Issues

To create realistic manipulations, the author consulted with salespeople within the context of this research (Wagner et al., 2009). The interviews from Essay 1 provided common details of pricing and sales force compensation goals. To test the manipulations, a one-way ANOVA was performed to determine if the results differed across scenarios as intended. The manipulation check question for the pricing strategy asked participants to reflect on the scenario they had just read and select a response to “In the scenario, the goal of the pricing strategy is to maximize profits” (1 = “strongly disagree” to 7 = “strongly agree”). To test whether or not differences existed, respondents who had viewed a scenario containing a profit maximizing pricing goal (MP-Mis and PP-Align) were grouped together and called “Price_Strat_Profit” and compared to the two groups who did not view a scenario containing a profit maximizing pricing goal (MM-Align and PM-Mis). The results of the one-way ANOVA comparing items across the two
groups found that the manipulation was successful (Price_Strat_Profit: $M = 5.86$, $SD = 1.22$; NOT_Price_Strat_Profit: $M = 4.90$, $SD = 1.72$; $F = 6.14$, $p \leq .05$).

The other manipulation check question was used to evaluate the strength of the differences in the scenarios for the goal of the sales force compensation strategy. Participants were asked to reflect on the scenario they had just read and select a response to the question “In the scenario, the goal of the sales force compensation strategy is to increase market share” ($1 = \text{strongly disagree} \text{ to } 7 = \text{strongly agree}$). To analyze this manipulation, a new variable (Comp_Strat_MS) was computed grouping those respondents who had viewed a condition where the sales force compensation goal was market share growth (MP-Mis and MM-Align) and those who had not. The results of this sales force compensation manipulation check were not as strong as expected (Comp_Strat_MS: $M = 5.87$, $SD = 1.14$; NOT_Comp_Strat_MS: $M = 5.30$, $SD = 1.62$; $F = 2.45$, $p = .12$).

Research has shown that order effects recall (Dahl, Brimacombe, and Lindsay, 2008; St Clair-Thompson, and Allen, 2012). Respondents in experiments are more likely to recall the items presented at the end of a long series of information, called recency effect, as opposed to placing more weight or recalling the items at the beginning of a long series of information, called primacy effect (Pinsker, 2011). Research has found that information length and pattern can reduce order effects (Trotman and Wright, 2000). To mitigate this concern a summary statement describing both goals was added to the end of the scenarios. For example, “In summary, the goal of the sale force compensation strategy is to maximize profits and the goal of the pricing strategy is to increase market share.” The manipulation check items were retained for the main study.
Realism Check

Research by Darley and Lim (1994) notes that “creating realism and involvement checks is a difficult endeavor, [and] the importance of ensuring experimental realism calls for nothing less” (p. 493). The realism of the selling environment was tested with two items. Salespeople were asked the degree to which they agreed with the following two statements: “I can imagine a company actually implementing the initiatives described in the scenario”, and “The sales situation described in the scenario likely occurs in business today” (1 = “strongly disagree to 7 = “strongly agree”). A new composite variable was computed from the average of the two realism items. For future reference, this scale item is called Realism.

To test whether realism differed across scenarios (as well as to test for differences in other constructs throughout the study), a variable was computed that identified whether a particular condition was aligned or misaligned. For future reference, this variable will be referred to as Alignment. A one-way ANOVA tested whether perceptions of Realism differed across conditions of aligned goals versus misaligned goals. Results showed no significant difference in the rating of scenario realism. Overall, the participants found the scenario to be realistic. (Aligned: $M = 5.77, SD = .98$; Misaligned: $M = 5.77, SD = .96$; $F = .00, p = .99$). The realism items were retained for the main study.

Interpretation Check

The interpretation check was established to verify the attractiveness of the reward described in the scenario as offered by the company if the salesperson achieved the sales force compensation goal. In the scenario, the participants learned that the commission “will increase by an additional 3% on total monthly sales when you achieve your new
goal.” The interpretation of the attractiveness of the reward was measured on a seven-point Likert scale ranging from (1) “very unattractive” to (7) “very attractive”. An analysis of variance for participants who viewed the aligned conditions versus those who viewed misaligned conditions was not statistically significant (≤ .05) (Aligned: \(M = 5.03, SD = 1.15\); Misaligned: \(M = 4.87, SD = 1.28\); \(F = .86, p = .46\)). The interpretation check verifies that across scenarios the commission is not influencing one group more than any other. This item was retained for the main study.

**Conflict Check**

The study suggests that salespeople who were exposed to the misaligned conditions should experience a higher degree of goal conflict than the salespeople exposed to the aligned conditions. The conflict check item was adapted from the goal conflict scale of Locke, Smith, Erez, Chah and Schaffer (1994). Participants were asked, “To what degree do you feel the pricing goal in the scenario is in conflict with the sales force compensation goal?” (0= “not at all” to 100= “completely”). Analysis of variance was used to test the difference in perceptions of goal conflict between aligned and misaligned groups. While directionally appropriate (misaligned groups rated a higher level of goal conflict than aligned groups), there was near significance (where significance ≤ .05) regarding respondent goal conflict between those exposed to the aligned scenarios versus the participants exposed to the misaligned scenarios (Aligned: \(M = 58.07, SD = 22.06\); Misaligned: \(M = 68.16, SD = 20.761\); \(F = 3.33, p = .07\)). As indicated earlier, the addition of the summary statement to the scenarios in the main study was expected to make the conditions more robust to the participant. For the main study, a second more direct, conflict check question was added: “In the scenario, the goal of the
pricing strategy is in conflict with the goal of the sales force compensation strategy” and was measured on a seven-point Likert scale with anchors 1= “strongly disagree” to 7= “strongly agree”.

**Behavioral Intention**

In this study, behavioral intention reflects the extent to which the salesperson will commit to the activities and behaviors needed to pursue a stated goal. The two behavioral intent items were adapted from Locke et al. (1994). The respondents were asked to reflect on the degree to which they would: 1) “try to achieve the pricing goal”, and 2) “try to achieve the sales force compensation goal” (0 = “not at all” to 100 = “completely”).

A higher level of behavioral intention is expected of a salesperson when the goals are aligned. A one-way ANOVA was used to determine whether the behavioral intention differed across the two groups. The salesperson’s intention to achieve the goals of the scenarios was not significantly different across aligned or misaligned strategies (Aligned: $M = 78.03, SD = 18.73$; Misaligned: $M = 81.50, SD = 15.08$; $F = .63, p = .43$). As noted previously, the strength of the scenarios needed to be improved. The behavioral intention items were retained for the main study.

**Expectancy**

The measure of a salesperson’s estimate of the probability that a prescribed amount of effort will lead to a higher level of performance was adapted from Sims et al. (1976). The five items were developed to quantify a salesperson’s probability estimates of successful sales goal achievement. For example, survey participants were asked to select a response that best represents their feelings to the statement “Performing my
duties as well as I am capable would result in reaching my sales goal,” measured on a seven-point Likert scale (1 = “strongly disagree” to 7 = “strongly agree”). The reliability analysis on the five-item expectancy scale produced a Cronbach’s alpha coefficient of .84. This measure of internal reliability would be improved to .91 with the removal of the one reverse coded item: “It would be unlikely that my efforts would enable me to achieve the goal for this product line”. This item was omitted for the main study.

When analyzing the variance of the four-item expectancy scale across aligned and misaligned conditions, salesperson expectancy for viewers of the aligned scenarios was not significantly different from the respondents who viewed the misaligned scenarios. A one-way ANOVA was used to determine whether Expectancy differed across the two groups represented by Alignment (Aligned: $M = 4.95$, $SD = .95$; Misaligned: $M = 4.63$, $SD = 1.20$; $F = 1.35, p = .25$). The four items were retained for the main study, and as mentioned before the scenarios were refined.

**Instrumentality**

Instrumentality is the salesperson’s perceived link between performance and reward. The five item scale was adapted from Teas (1981). Of the five survey items used to measure instrumentality, two questions focused on monetary rewards and three questions concentrated on performance recognition. Throughout the rest of this section, the constructs will are referenced as INST_Monet with items coded as INST_Monet_a, INST_Monet_b; and INST_Perf_Rec with items coded as INST_Perf_Rec_c, INST_Perf_Rec_d, and INST_Perf_Rec_e. Examples of instrumentality items include “If I achieve my sales goal, I will be viewed more favorably by my customers” and “Reaching my sales goal will result in earning my commission”, measured on a seven-
point Likert scale (1 = “strongly disagree” to 7 = “strongly agree”). The internal reliability for the five items creating the instrumentality construct was .61. However, including the two items in INST_Monet resulted in an improved Cronbach’s alpha of .78. The univariate analysis of variance of INST_Monet exhibited near significance (where significance ≤ .05) between aligned and misaligned scenario conditions (Aligned: $M = 5.43, SD = 1.05$; Misaligned: $M = 5.89, SD = 1.00$; $F = 2.93, p = .09$).

Given these results and a review of the literature, the decision was made to create a more voluminous, multi-dimensional scale for the main study (Chowdhury, 1993; Cron, et al., 1988). An eight-item instrumentality measure was created for the main study. The monetary reward dimension was expanded by one item (for a total of three items), which stated: “If I reach my sales goal my overall pay will increase.” The instrumentality dimension representing performance recognition was expanded to five items—three items reflecting customer recognition of the salesperson’s efforts and two items reflecting recognition of the salesperson within his/her own firm. The items in the pretest maintained the multi-dimensional complexity of instrumentality scales with much fewer items, which may have been the reason for a low internal reliability score.

*Extrinsic Motivation*

Extrinsic motivation is the existence of an entity “external to the work” that stimulates a level of performance; examples are “a reward or recognition” (Amabile, Hill, Hennessey, & Tighe, 1994, p. 950). A five-item scale adapted from Amabile et al. (1994) was used to assess the level of extrinsic motivation across aligned and misaligned strategies condition groups. One such item included “the extra money that I could earn from achieving the sales goal would strongly motivate my efforts” (1 = “strongly
disagree” to 7 = “strongly agree”). The Cronbach’s alpha coefficient of .86 was again above the recommended level of .70 (Nunnally, 1978). A one-way ANOVA was used to determine whether extrinsic motivation differed across the two groups represented by Alignment. There was no significant difference (Aligned: $M = 5.64, SD = 1.01$; Misaligned: $M = 5.96, SD = .86; F = 1.74, p = .19$). All items were retained for the main study.

**Goal Difficulty**

Goal difficulty “refers to the difficulty individuals perceive in implementing a goal” (Fang, Palmatier, & Evans, 2004, p. 189). If goals are misaligned, the perception of goal difficulty should increase. The internal reliability of the three-item scale was .39. However, reliability increased to .63 with the removal of the reverse coded item “I would have little difficulty in reaching my assigned sales goal,” measured on a seven-point scale (1) “strongly disagree” to (7) “strongly agree”. Following a further review of the other two items “My assigned sales goal would be very difficult to achieve” and “Given the details in the scenario, my assigned sales goal is challenging,” and the goal difficulty literature, a decision was made to make the questions more relevant to the pricing strategy and more specific with regard to the level of difficulty.

New goal difficulty questions were created for the main study. The new questions included: “The pricing strategy will make it more difficult to achieve my assigned sales goal” (1 = “strongly disagree” to 7 = “strongly agree”); “The pricing strategy makes achieving the assigned sales goal ____,” (1 = “much easier” to 7 = “much harder”); and “The assigned sales goal in the scenario would be ____,” (1 = “not difficult at all” to 7 =
“very difficult”). The enhanced questions and the more robust scenarios were designed to improve the reliability of this construct for the main study.

**Main Study**

Based on the findings of the pretest, the following changes were made to the instrument for the main study: the scenarios were strengthened; one additional conflict manipulation item was added; three additional instrumentality items were added; and the three goal difficulty questions were enhanced to reference both pricing and sales goals. In addition, the scenarios were made more robust with a summary statement at the end of each scenario, for example in the PP-Align scenario the summary statement read as follows, “In summary, the goal of the sales force compensation strategy is to maximize profits and the goal of the pricing strategy is to maximize profits.” The addition of this statement improved the manipulation effects, signifying that indeed respondents read and understood the goals of both the pricing and sales force compensation strategies described in the scenarios. The conflict manipulation check was effectively strengthened with the addition of a second, more direct question. More depth was added to the instrumentality construct. The main study added three items to the five items used in the pretest. The additional instrumentality items included one new item representing monetary rewards and two items representing customer facing performance recognition. The three goal difficulty items were made more specific by referencing the pricing and the sales goal in each item. In the pretest, the items only referenced the sales goal.

Data for the main study was collected after the analysis of the pretest was completed and the instrument was amended as noted in the previous sections. The main study instrument was administered in an online panel forum and was collected within
seven days. A total of 1,670 individuals were invited to participate although not all were qualified to participate in the study. The breakdown of respondents (1,325) that were either not qualified or that did not respond to qualifier questions included: 1) they did not begin the survey (less 81 respondents), 2) they did not provide consent to participate in the survey (less 260 respondents), 3) they did not respond to the question regarding their current job responsibilities (less 46 respondents), 4) their current responsibilities did not include managing customers (less 442 respondents), or 5) they did not sell into B2B markets (less 496 respondents). The remaining 345 qualified respondents comprised of invited and consenting online panel sales professionals that had account responsibilities and sold in B2B markets.

Further evaluation of the 345 qualified respondents resulted in elimination of 170 respondents for reasons that included: 1) they failed to respond to a question (less a total of 35 respondents) or 2) they failed one of the two quality control filters placed randomly in the survey (less a total of 135 respondents). The remaining 175 respondents (51% of 345) were then evaluated on passing or failing the manipulation check and conflict verification questions. Details of the manipulation check process are to follow in the manipulation check section. Table 2.4 Main Study Survey Participation details the evolution of usable complete surveys.
### Table 2.4. Main study survey participation

<table>
<thead>
<tr>
<th>Respondent Action- Description</th>
<th>Total Survey Count</th>
<th>Survey Adjustment Count</th>
<th>Percent*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invited to participate in the Survey</td>
<td>1670</td>
<td>1670</td>
<td>nq</td>
</tr>
<tr>
<td>Began the survey</td>
<td>1589</td>
<td>-81</td>
<td>nq</td>
</tr>
<tr>
<td>Gave consent to participate</td>
<td>1329</td>
<td>-260</td>
<td>nq</td>
</tr>
<tr>
<td>Responded to question 2 (What describes your job?)</td>
<td>1283</td>
<td>-46</td>
<td>nq</td>
</tr>
<tr>
<td>Had account responsibilities</td>
<td>841</td>
<td>-442</td>
<td>nq</td>
</tr>
<tr>
<td>Sold in B2B markets</td>
<td>345</td>
<td>-496</td>
<td>100%</td>
</tr>
<tr>
<td>Responded to question 4 (Manipulation check)</td>
<td>325</td>
<td>-20</td>
<td>94%</td>
</tr>
<tr>
<td>Responded to question 6 (Realism check)</td>
<td>317</td>
<td>-8</td>
<td>92%</td>
</tr>
<tr>
<td>Responded to question 13 (Behavioral intention)</td>
<td>314</td>
<td>-3</td>
<td>91%</td>
</tr>
<tr>
<td>Passed first quality control filter (Select Strongly Agree to continue)</td>
<td>213</td>
<td>-101</td>
<td>62%</td>
</tr>
<tr>
<td>Passed second quality control filter (Select Strongly Disagree to continue)</td>
<td>179</td>
<td>-34</td>
<td>52%</td>
</tr>
<tr>
<td>Responded to years of selling experience</td>
<td>175</td>
<td>-4</td>
<td>51%</td>
</tr>
<tr>
<td>Passed compensation manipulation check</td>
<td>151</td>
<td>-24</td>
<td>44%</td>
</tr>
<tr>
<td>Passed pricing manipulation check</td>
<td>138</td>
<td>-13</td>
<td>40%</td>
</tr>
<tr>
<td>Determined degree of conflict</td>
<td>136</td>
<td>-2</td>
<td>39%</td>
</tr>
<tr>
<td>Identified goal conflict</td>
<td>135</td>
<td>-1</td>
<td>39%</td>
</tr>
</tbody>
</table>

* nq = respondent not qualified to participate in the survey.

Percentage reported is what is remaining from the qualified sample of 345.

---

**Main Study Analysis**

**Manipulation Check and Related Issues**

The data from the remaining 175 respondents was evaluated to confirm that respondents passed the two manipulation checks regarding the goals of the pricing and
sales force compensation strategies. Additional confirmations were made to assure that the online panel respondents were not merely selecting options without clearly reading the scenario. While a researcher cannot read the mind of the respondent, additional efforts can be taken to systematically assess additional manipulation checks. (See Perdue and Summers [1986] for additional approaches to manipulation checks in experiments.)

The decision rules applied (four separate double elimination procedures based on extreme responses indicating lack of understanding the experimental scenarios) can be duplicated on similar contextual samples such that the sample would yield similar findings. The double elimination procedures considered the affirmation (understanding) and negation (lack of understanding) of the compensation, pricing, and alignment/misalignment manipulations.

The first manipulation check question asked respondents to confirm the sales force compensation goal in the scenario, “The goal of the sales force compensation strategy is to increase market share (1 = "strongly disagree" to 7 = "strongly agree").” Elimination evaluation for the first check involved looking at respondents that viewed compensation scenarios where the compensation strategy was profit maximization (PM and PP) and eliminating all respondents that chose seven, “strongly agree” (i.e., they believed the goal was market share when it was profit maximization). An additional evaluation was then performed to verify the affirmation. All of the respondents that viewed compensation scenarios where the compensation strategy was market share growth (MP and MM) and chose one, “strongly disagree” were removed (i.e., did not believe the goal was market share when it was in fact market share). In total 24 responses were eliminated based on this method. The remaining 151 respondents (44%
of 345 qualified respondents) were then evaluated for passing or failing the pricing goal manipulation.

The second, double elimination procedure occurred when respondents were requested to report if the goal of the pricing strategy, in the scenario, was to maximize profits. Consistent with the evaluation of the first manipulation check question, the responses to the question, “The goal of the pricing strategy is to maximize profits,” based on 1 = "strongly disagree" to 7 = "strongly agree" were evaluated and eliminated when the manipulation clearly failed. Those respondents that viewed a scenario where the pricing strategy was market share (PM and MM) and chose a response of seven, “strongly agree” were eliminated (i.e., they believed the goal was profit maximization when it was market share). The second step in the pricing evaluation process included respondents that viewed a scenario where the pricing strategy goal was to maximize profits (MP and PP) and chose a one “strongly disagree”; those respondents were eliminated (i.e., they did not believe the goal was profit maximization when it was in fact profit maximization). In total 13 responses were eliminated based on this method.

The remaining 138 responses (40% of 345 qualified respondents) were evaluated based on the identification of congruent or incongruent goals. In the third evaluation manipulation procedure, the respondents were asked to determine the degree of goal congruence in the scenario they viewed. The responses to the question, “To what degree do you feel the pricing goal in the scenario is in conflict with the sales force compensation goal? (0 = "not at all" to 100 = "completely"),” were reviewed based on the established decision rule. If the respondent viewed a scenario with congruent goals (MM or PP) and indicated that the goals were completely in conflict, the response was removed.
(i.e., they believed the goals were in conflict when the goals were not in conflict). During the second confirmation of manipulation on this question, respondents that viewed a scenario with incongruent or misaligned goals (PM or MP) and indicated that the goals were “not at all” in conflict were removed (i.e. they did not believe the goals were in conflict when the goals were in fact in conflict). Only two respondents were removed.

In the fourth elimination, the remaining 136 respondents (39.4% of 345 qualified respondents) were evaluated on their ability to identify goal congruence or incongruence in the scenario. Once again, a double elimination procedure was performed on the responses. The question, “The goal of the pricing strategy is in conflict with the goal of the sales force compensation strategy, respond, 1= "strongly disagree" to 7 = "strongly agree","’ allowed salespeople to choose the response that applied to the scenario that was viewed. Respondents that viewed scenarios that affirmed the sentence, (scenarios PM and MP) and yet chose one, “strongly disagree” were removed (i.e., they did not believe the goals were in conflict when they were in fact in conflict). Likewise, respondents that viewed scenarios that negated the sentence, (scenarios PP and MM) and yet chose seven, “strongly agree” were removed (i.e., they believed the goals were in conflict when they were not in conflict). Only one respondent was removed. The main study sample resulted in a total of 135 out of the 345 qualified respondents completing the survey for a 39% usable response rate.

The last evaluation method used to eliminate respondents was response time. Insufficient response time and excessive response time when compared to the average were eliminated (Swain, Weathers, & Niedrich, 2008). After all of the prior evaluation, there were no respondents removed as a result of deviations from the average response
time. The evaluation of the manipulations of this study followed a strict removal process that better ensured the validity of the experimental process. Removing those respondents that failed the manipulation checks using the Extreme method resulted in a sample size of 135 respondents, spread relatively equally across conditions. The sample size of 135 was used to test the hypotheses. A breakdown of the demographics is listed below in Table 2.5.

**Table 2.5.** Main study participant demographics

<table>
<thead>
<tr>
<th>Variable</th>
<th>Number</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Job Title</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salesperson</td>
<td>61</td>
<td>45.0</td>
</tr>
<tr>
<td>Sales Manager with accounts</td>
<td>50</td>
<td>37.0</td>
</tr>
<tr>
<td>Other type of sales professional with accounts</td>
<td>24</td>
<td>18.0</td>
</tr>
<tr>
<td><strong>Sales Experience</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0-14 years</td>
<td>69</td>
<td>51.1</td>
</tr>
<tr>
<td>&gt; 15 years</td>
<td>66</td>
<td>48.9</td>
</tr>
<tr>
<td><strong>Company Sales Experience</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1-9 years</td>
<td>91</td>
<td>67.0</td>
</tr>
<tr>
<td>10-19 years</td>
<td>31</td>
<td>23.0</td>
</tr>
<tr>
<td>&gt; 20 years</td>
<td>13</td>
<td>10.0</td>
</tr>
<tr>
<td><strong>Gender</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>77</td>
<td>57.0</td>
</tr>
<tr>
<td>Female</td>
<td>58</td>
<td>43.0</td>
</tr>
<tr>
<td><strong>Education</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High School/GED</td>
<td>13</td>
<td>9.6</td>
</tr>
<tr>
<td>Some College</td>
<td>30</td>
<td>22.2</td>
</tr>
<tr>
<td>2-Year College Degree</td>
<td>24</td>
<td>17.8</td>
</tr>
<tr>
<td>4-Year College Degree</td>
<td>52</td>
<td>38.5</td>
</tr>
<tr>
<td>Graduate Degree</td>
<td>16</td>
<td>11.9</td>
</tr>
<tr>
<td><strong>Industry</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service</td>
<td>79</td>
<td>59.4</td>
</tr>
<tr>
<td>Product</td>
<td>54</td>
<td>40.6</td>
</tr>
</tbody>
</table>
Table 2.5 continued

<table>
<thead>
<tr>
<th>Commission % of Compensation</th>
<th>64</th>
<th>48.1</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-24%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>25%-100%</td>
<td>69</td>
<td>51.9</td>
</tr>
</tbody>
</table>

The distribution of respondents across groups is listed in Table 2.6.

**Table 2.6.** Main study respondent per condition

<table>
<thead>
<tr>
<th>Treatment Groups</th>
<th>N = 135</th>
</tr>
</thead>
<tbody>
<tr>
<td>PM-Mis</td>
<td>31</td>
</tr>
<tr>
<td>MP-Mis</td>
<td>39</td>
</tr>
<tr>
<td>PP-Align</td>
<td>31</td>
</tr>
<tr>
<td>MM-Align</td>
<td>34</td>
</tr>
</tbody>
</table>

To test the manipulations of the sales force compensation and pricing goals, two separate one-way ANOVAs were performed using the variable created from the manipulation items; one for checking the manipulation of the compensation strategy (Manip_Ck_Compen-sation) and one for checking the manipulation of the pricing strategy (Manip_Ck_Pricing). An ANOVA testing the compensation goal used Manip_Ck_Compen-sation across the variable that represented all scenarios with a market share compensation goal, Comp_Strat_MS. The difference in Manip_Ck_Compen-sation was significant (≤ .001) across those conditions with a market share compensation strategy and those without a market share compensation strategy (Comp_Strat_MS: $M = 5.89, SD = 1.20$; NOT_Comp_Strat_MS: $M = 4.16, SD = 1.67$; $F = 48.908, p \leq .001$).

A one-way ANOVA was used to determine whether the variable representing pricing goal manipulation called Manip_Ck_Pricing differed across scenarios where the pricing goal was profit and where the pricing goal was not profit, using the variable named Price_Strat_Profit. The difference across conditions was significant (≤ .001).
(Price_Strat_Profit: $M = 6.06, SD = 1.20; NOT_Price_Strat_Profit: $M = 4.60, SD = 1.72; $F = 61.82, p ≤ .001). The additional summary statement that was added to the end of each scenario helped respondents clearly identify the goals for both the pricing and sales force compensation strategies.

Realism Check

Similar to the pretest, the measure of the realism of the scenario that respondents viewed had strong internal reliability; the Cronbach’s alpha was .80. A one-way ANOVA was used to determine whether Realism differed across the two groups represented by Alignment. There were no significant differences across conditions. Once again, overall the participants found the scenario to be realistic (Aligned: $M = 5.61, SD = 1.29; Misaligned: $M = 5.46, SD = 1.28; F = .51, p = .48).

Interpretation Check

The interpretation check was established to verify the attractiveness of the reward in the scenario for achieving the sales force compensation goal. An ANOVA testing whether participants who viewed the aligned conditions responded differently from the participants exposed to the misaligned conditions was not statistically significant at a level of ≤ .05. The one-way ANOVA used the variable for interpretation as the dependent variable and Alignment as the independent variable. The interpretation check verifies that across scenarios, the commission is not influencing one group more than any other (Aligned: $M = 5.15, SD = 1.56; Misaligned: $M = 4.84, SD = 1.64; F = 1.61, p = .21).

Conflict Check

In the main study, participants were asked two conflict check items. The first item (referred to as Conflict_Ck_a) was “To what degree do you feel the pricing goal in
the scenario is in conflict with the sales force compensation goal?" (0 = “not at all” to 100 = “completely”). The second item (referred to as Conflict_Ck_b) asked “Is the goal of the pricing strategy in conflict with the goal of the sales force compensation strategy” (1 = “strongly disagree” to 7 = “strongly agree”). A one-way ANOVA was used to determine whether Conflict_Ck_a differed across the two Alignment groups. As expected, the difference was significant (≤ .05) such that that those respondents who viewed a misaligned condition responded on average greater than those respondents who viewed an aligned condition (Aligned: M = 49.75, SD = 30.33; Misaligned: M = 60.14, SD = 25.63; F = 5.57, p ≤ .05).

For the second goal conflict item, Conflict_Ck_b, respondents who experienced a misaligned scenario rated conflict significantly higher (≤ .001) than respondents who experienced a scenario with aligned goals (Aligned: M = 3.77, SD = 1.77; Misaligned: M = 4.67, SD = 1.53; F = 13.56, p ≤ .001). Thus, the addition of the summary statement to the scenario was effective in creating distinct and clear descriptions for the respondent.

**Behavioral Intention**

In the hypotheses section, the results will be presented that show a salesperson’s intention to achieve goals was significantly higher for respondents that viewed an aligned scenario than those respondents that had viewed a misaligned scenario.

**Expectancy**

During the pretest, the reverse-coded item included in the scale performed poorly when included with the other items. For the main study, the four-item expectancy scale produced a coefficient alpha of .92. Also for the main study, salesperson expectancy for viewers of the aligned scenarios was significantly higher than from the respondents who
viewed the misaligned scenarios. The results for the hypothesis test involving expectancy will be discussed further in the hypotheses section.

**Instrumentality**

After evaluating the pretest results, the decision was made to expand the number of items (from 5 to 8 items) that represented salesperson instrumentality. The Cronbach’s alpha coefficient of .82 for the instrumentality scale in the main study was well above the recommended level of .70 (DeVellis, 1991; Eisinga, Grotenhuis, and Pelzer, 2012). The multi-dimensionality of the eight-item Instrumentality scale is as follows: three items representing monetary rewards (referenced as INST_Monet) and five items representing performance recognition. The five items for performance recognition represented two dimensions: internal performance recognition from within the organizational (two-item measure referenced as Inst_Org_Rec) and external performance recognition from the customer (three-item measure referenced as Inst_Or_Rec). All survey items used in the main study appear in Appendix B.

Because of the changes made to the scale, tests performed to verify the instrumentality scale used in the main study included: construct reliability, convergent validity, discriminant validity, and nomological validity. Convergent validity of the variables was performed using three tests: 1) the Eigenvalue check (rule > 1.00); 2) the Average Variance Extracted (AVE) test (rule: > .50; and 3) construct reliability (rule: ≥ .70 is good, between .60-.69 is marginal) according to common guidelines (DeVellis, 1991; Nunnally and Bernstein, 1994). DeVellis (1991) and Nunnally et al. (1994) suggest that lower values for exploratory constructs are acceptable. Convergent validity was confirmed through results that show the variables within the instrumentality construct are
converging on the same concepts. The results for the tests of convergent validity can be viewed in Table 2.7.

**Table 2.7. PCA Convergent validity report**

<table>
<thead>
<tr>
<th></th>
<th>Customer_Facing_ Instrumentality</th>
<th>INST_Monet</th>
<th>Inst_Org_Rec</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eigenvalue</td>
<td>3.75</td>
<td>1.90</td>
<td>0.99</td>
</tr>
<tr>
<td>Check</td>
<td>Pass</td>
<td>Pass</td>
<td>Fail</td>
</tr>
<tr>
<td>AVE</td>
<td>77.80</td>
<td>63.20</td>
<td>49.50</td>
</tr>
<tr>
<td>Test 2:</td>
<td>Good</td>
<td>Good</td>
<td>Acceptable</td>
</tr>
<tr>
<td>Construct Reliability</td>
<td>0.91</td>
<td>0.87</td>
<td>0.87</td>
</tr>
<tr>
<td>Test 3:</td>
<td>Good</td>
<td>Good</td>
<td>Good</td>
</tr>
</tbody>
</table>

Discriminant validity determines if monetary reward items, customer facing performance recognition items, and organizational recognition items are measuring different concepts. According to Hair et al. (2010), one way to test discriminant validity is to determine whether the average variance within the items is greater than the variance the items share with other constructs: “the within variance extracted estimates should be greater than the squared between correlation estimates,” (p. 688). The findings indicate that monetary rewards, customer facing performance recognition, and organizational performance recognition are measuring unique concepts. The correlation matrix and squared correlation matrix can be viewed in Table 2.8. The squared correlations are much less than the lowest AVE of 49.50.
Table 2.8. Discriminant validity test results

<table>
<thead>
<tr>
<th>Correlation Matrix</th>
<th>Customer_Facing_Instrumentality</th>
<th>INST_Monet</th>
<th>Inst_Org_Rec</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer_Facing_Instrumentality</td>
<td>1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>INST_Monet</td>
<td>0.02</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>Inst_Org_Rec</td>
<td>0.52</td>
<td>0.26</td>
<td>1.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Correlation Matrix Squared</th>
<th>Customer_Facing_Instrumentality</th>
<th>INST_Monet</th>
<th>Inst_Org_Rec</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer_Facing_Instrumentality</td>
<td>1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>INST_Monet</td>
<td>0.00</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>Inst_Org_Rec</td>
<td>0.27</td>
<td>0.07</td>
<td>1.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Discriminant Validity Test</th>
<th>Customer_Facing_Instrumentality</th>
<th>INST_Monet</th>
<th>Inst_Perf_Org</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer_Facing_Instrumentality</td>
<td>Pass</td>
<td></td>
<td></td>
</tr>
<tr>
<td>INST_Monet</td>
<td>Pass</td>
<td>Pass</td>
<td></td>
</tr>
<tr>
<td>Inst_Perf_Org</td>
<td>Pass</td>
<td>Pass</td>
<td></td>
</tr>
</tbody>
</table>

Nomological validity verifies that the items in the construct correlation matrix are consistent with theory and logic. A check of the correlations among these variables was performed and nomological validity was confirmed.

An internal reliability test was performed on the three items representing monetary rewards. The coefficient alpha score was .74, and with the removal of INST_Monet_c the alpha score improves to .76. This item was retained to maintain a three-item scale. The internal reliability results for the internal performance recognition from within the organization produced a coefficient alpha of .85. The variable representing external performance recognition from the customer had a Cronbach’s alpha of .90. The results for the hypothesis test involving instrumentality will be discussed further in the hypotheses section.
Extrinsic Motivation

Expectancy theory maintains that extrinsic motivation exhibits a multiplicative relation between expectancy and instrumentality. This research hopes to reconfirm that relationship in the hypotheses section. The Cronbach’s alpha coefficient for the five-item measure was .86. The internal reliability score increased to .89 with the removal of the question “If I were in the situation described in the scenario, I would be strongly motivated by the recognition I could earn from other people,” measured on a seven-point scale (1) “strongly disagree” to (7) “strongly agree”.

A one-way ANOVA was performed with the four-item (averaged) extrinsic motivation construct as the dependent variable and Alignment as the independent variable. The results showed there was no significant ($\leq .05$) difference in the means of the aligned and misaligned conditions (Aligned: $M = 5.67, SD = 1.00$) (Misaligned: $M = 5.69, SD = 1.06$) ($F = .03, p = .88$).

Control Variables

The six control variables used in the analysis included; sales experience, company experience, gender, education, industry, and commission. Previous sales motivation research suggested that gender, job experience, education, and industry may be related to expectancy (Cron et al., 1988; Teas, 1981; Walker et al., 1977). The variables sales experience, and commission (incentive compensation) have been suggested to be related to instrumentality in previous research (Zoltners, Sinha, & Lorimer, 2012; Murphy & Dacin, 1998). In Essay 1, the respondents would often talk about the pricing strategy in relation to a specific product or service. Therefore, it was important to include the variable, industry as it related to a salesperson selling a product or service. Additionally,
the respondents worked for a large number of industries, so a consolidation mechanism
was necessary. The 135 sales professionals were grouped based on industry and pay
portfolio (percent of current annual compensation that is commission).

The salesperson’s industry for 135 respondents yielded 97 different industries.
The 97 unique industries were evaluated based on what was being sold and the new
variable was coded Two_Category_Industry. In Essay 1, those in the insurance industry
sold a service and those in the automotive aftermarket sold products. In Essay 2, the
industries were similarly divided into those selling primarily products and those selling
primarily services. For example, the respondents that indicated restaurant equipment,
manufacturing, and wine and spirits were coded as products. In contrast, respondents
indicating insurance, banking, and rail freight transportation were coded as Services.
Previous salesperson motivation literature references the demographic variable that
delineates what the salesperson sells as products and services (Smith, Jones, & Blair,
2000). Two individuals working independently sorted the industries into the two groups
and then compared the results, resolving any differences via discussion.

The proportion of gender, industry (product, service), and percent of salary that is
commission per aligned and misaligned scenarios is displayed in Table 2.9.

Table 2.9. Proportion of control variables per condition

<table>
<thead>
<tr>
<th>Condition (Goals)</th>
<th>Aligned</th>
<th>MISAligned</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>39</td>
<td>38</td>
<td>58</td>
</tr>
<tr>
<td>Female</td>
<td>26</td>
<td>32</td>
<td>57</td>
</tr>
<tr>
<td>Total</td>
<td>65</td>
<td>70</td>
<td>135</td>
</tr>
</tbody>
</table>

Table 2.9 continued
The variable that represented the percent of annual compensation that is commission yielded 32 responses not including two missing data entries. Based on the cumulative percent of the frequency distribution, nearly half of the respondents (48.1%) reported a smaller percent of annual pay that was commission, which equated to 24% or less, and the remaining respondents (51.9%) reported a larger percent of annual pay that was commission, which equated to 25% -100%. The new item was coded Two_Cat_Commission.

A further evaluation of the sample included computing ANOVAs to determine if the variance in sales experience, company experience, education, and commission were significantly different across aligned or misaligned scenarios. Company experience was shown to be significantly different (≤ .05) for respondents across aligned and misaligned scenarios. The results can be viewed in Table 2.10.
Table 2.10. Main study demographics

<table>
<thead>
<tr>
<th>Pricing and Sales Force Compensation Strategies</th>
<th>Aligned</th>
<th>Misaligned</th>
<th>df</th>
<th>F</th>
<th>sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Experience</td>
<td>16.06</td>
<td>15.13</td>
<td>1</td>
<td>0.24</td>
<td>0.62</td>
</tr>
<tr>
<td>(11.66)</td>
<td>(10.25)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company Experience</td>
<td>9.51</td>
<td>6.74</td>
<td>1</td>
<td>5.30</td>
<td>0.02*</td>
</tr>
<tr>
<td>(8.41)</td>
<td>(5.31)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education Level</td>
<td>4.28</td>
<td>4.14</td>
<td>1</td>
<td>0.42</td>
<td>0.52</td>
</tr>
<tr>
<td>(1.16)</td>
<td>(1.20)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commission</td>
<td>42.59</td>
<td>36.16</td>
<td>1</td>
<td>0.99</td>
<td>0.32</td>
</tr>
<tr>
<td>(38.01)</td>
<td>(36.17)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* p ≤ .05

Values in parentheses are standard deviation.

Hypotheses Tests

A GLM analysis of variance was used to examine how the organization’s pricing strategy affects the salesperson and test the hypotheses. The GLM method allowed multiple independent categorical variables, as well as continuous dependent variables, to be easily tested within the same model.

Hypothesis 1 Expectancy

**H1a**: When the goals of the pricing and sales force compensation strategy are misaligned, the salesperson’s expectancy will be lower than when the goals are aligned.

Hypothesis 1a examined the main effect of the two-level factor Alignment on the dependent variable Expectancy. The variables gender and industry were used as
covariates. There was a significant main effect of this factor indicating that a lower level of expectancy is associated with conditions of misalignment of the goals of the sales force compensation and pricing strategies (Aligned: $M = 5.27$, $SD = .94$; Misaligned: $M = 4.71$, $SD = 1.28$; $F = 7.33$, $p \leq .01$). **Hypothesis 1a is supported.**

**H1b:** When the goal of the sales force compensation strategy is profit maximization and the goal of the pricing strategy is market share growth, the salesperson’s expectancy will be lowest.

Hypothesis 1b predicted the lowest level of expectancy would be associated with a specific configuration of pricing and sales force compensation goals—PM-Misalign. Gender and industry were controlled for in this test. First, an overall main effect of the type of scenario on expectancy was found to be significant ($F = 3.90$, $p \leq .01$), so further differences were tested across the pairs of scenarios. The results indicated that respondents in the PM-Misalign condition exhibited the lowest expectancy ($M = 4.38$), and the result was significantly different from MM-Align ($M = 5.48$, $t = 3.27$, $p \leq .001$), marginally significantly different from PP-Align ($M = 4.97$, $t = 1.75$, $p = .08$), but not significantly different from MP-Misalign ($M = 4.76$, $t = 1.23$, $ns$). **Hypothesis 1b is partially supported.**

**Hypothesis 2 Instrumentality**

Hypothesis 2a predicted the main effect of two-level factor Alignment on dependent variable Instrumentality. This study included three measures of instrumentality (INST_Monet, Inst_Perf_Org, and Customer-Facing_Instrumentality).
There was no support for INST_Monet, or for Inst_Perf_Org differing across the aligned and misaligned conditions. A follow up assessment focused only on the customer-facing part of instrumentality, represented by two items: “if I achieve my sales goal I will be viewed more favorably by my customers” and “if I achieve my sales goal I will have fewer complaints from my customers.” An ANCOVA was performed with the variable representing the two customer facing items as the dependent variable, and Alignment as the independent variable, and the control variables were Two_Cat_Industry and Two_Cat_Commission. The results were not significant. (Alignment: $M = 4.12$, $SD = 1.63$; Misaligned: $M = 4.10$, $SD = 1.34$; $F = .20$, $p = .65$). **Hypothesis 2a was not supported.**

**H2b.** When the goal of the compensation strategy is market share growth and the goal of the pricing strategy is profit maximization, the salesperson’s instrumentality will be the weakest.

Hypothesis 2b predicted the weakest instrumentality would exist in a specific configuration of pricing and sales force compensation goals—MP-Misalign (compensation- market share, pricing- profit). First, an overall main effect of the type of scenario on instrumentality was found to be significant ($F = 3.47$, $p \leq .05$), so further differences were tested across the pairs of scenarios. However, the results were not as predicted. MP-Misalign ($M = 4.15$) was not significantly weaker than any of the pairs, and in fact was marginally significantly stronger than the PP-Align in instrumentality ($M = 3.37$, $t = 1.92$, $p = .058$). Additionally, PP-Align was significantly weaker than MM-
Align ($M = 4.67, t = 3.20, p \leq .01$) and PM-Misalign ($M = 4.21, t = 2.08, p \leq .05$).

**Hypothesis 2b is not supported.**

These are interesting results when evaluated with the findings comparing the aligned conditions to the misaligned conditions (in H2a). The results suggest that the pricing strategy was an interference factor in salesperson instrumentality. Apparently, the salesperson operating in the aligned condition of MM-Align believes that he/she will be perceived in a positive light by the customer since the prices are low. In contrast, in the PP-Align (both profit) condition, the salesperson does not believe that he/she will be perceived as well by the customers because the prices are high. The salesperson is aware that the customer is not concerned with his/her commissions.

In the misaligned group, the internal pressures from the selling organization seem to have created an interfering effect for the salesperson but not for his/her customer. In the condition of PM-Mis (compensation-profit, pricing-market share), the salesperson perceives that the recognition from the customers will be favorable as a result of the low prices. The recognition from the customer will be less as a result of high prices in the MP-Mis (market share-compensation strategy and profit – pricing goal) condition.

Conceptual nuances with regard to instrumentality are widespread in the literature and like many prior studies (Cron et al. 1988; Murphy & Dacin, 1998; Gibson, 2008; Miao, Lund, & Evans, 2009; Tyagi, 2010) this study also indicates that instrumentality remains an area for further future research.

*Hypothesis 3 Extrinsic motivation*
**H3**: The interaction of the salesperson’s expectancy and instrumentality will be positively related to the salesperson’s extrinsic motivation.

Hypothesis 3 suggests that extrinsic motivation is the product of an interaction between expectancy and instrumentality. The results replicate the relationships found among these variables in previous work (Extrinsic Motivation: $M = 5.51, SD = 1.03; F = 30.813, p = \leq .001$). **Hypothesis 3 is supported.** See Table 2.11 for Hypothesis 3 results.

**Table 2.11.** Hypothesis 3 results- Extrinsic motivation

<table>
<thead>
<tr>
<th></th>
<th>Sum of Squares</th>
<th>df</th>
<th>t</th>
<th>F</th>
<th>p value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expectancy</td>
<td>12.22</td>
<td>1</td>
<td>4.39</td>
<td>19.27</td>
<td>\leq .001</td>
</tr>
<tr>
<td>Instrumentality</td>
<td>7.01</td>
<td>1</td>
<td>3.32</td>
<td>11.05</td>
<td>\leq .001</td>
</tr>
<tr>
<td>Expectancy *</td>
<td>3.11</td>
<td>1</td>
<td>-2.22</td>
<td>4.91</td>
<td>0.03</td>
</tr>
<tr>
<td>Customer_Facing_</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instrumentality</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Hypothesis 4 Behavioral Intention**

**H4**: When the goals of the pricing and sales force compensation strategy are *misaligned*, the salesperson’s behavioral intention will be *lower* than when the goals are aligned.
Hypothesis 4 indicates that the two-level factor alignment will influence the dependent variable behavioral intention. There was a significant main effect indicating that salespeople with aligned goals of the pricing and sales force compensation strategy have significantly higher intentions to strive to achieve the goals than do those salespeople who have misaligned goals. This analysis included the control variables Two_Cat_Industry and gender, neither of which was significantly related to behavioral intention (Aligned: $M = 80.46$, $SD = 15.34$; Misaligned: $M = 71.54$, $SD = 20.12$; $F = 7.22$, $p \leq .05$). **Hypothesis 4 is supported.**

In addition, the means for behavioral intention were significantly lower for the misaligned scenarios than for the aligned scenarios. A one-way ANOVA was used to determine whether differences in behavioral intention differed across the scenarios ($F = 3.98$, $p \leq .05$). Results indicated behavioral intentions were significantly different. See results for hypothesis 4 in Table’s 2.12 and 2.13.

**Table 2.12.** Hypothesis 4 results- Behavioral intention

<table>
<thead>
<tr>
<th></th>
<th>Sum of Squares</th>
<th>df</th>
<th>$F$</th>
<th>$p$ value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alignment</td>
<td>2379.12</td>
<td>1</td>
<td>7.22</td>
<td>$\leq .05$</td>
</tr>
<tr>
<td>Industry_Code</td>
<td>2.12</td>
<td>1</td>
<td>0.006</td>
<td>0.94</td>
</tr>
<tr>
<td>Gender</td>
<td>32.76</td>
<td>1</td>
<td>0.1</td>
<td>0.75</td>
</tr>
</tbody>
</table>

**Table 2.13.** Hypothesis 4 - Behavioral intention across scenarios

<table>
<thead>
<tr>
<th>Scenarios</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>PM</td>
<td>73.82</td>
<td>15.52</td>
</tr>
<tr>
<td>MP</td>
<td>70.72</td>
<td>23.25</td>
</tr>
<tr>
<td>PP</td>
<td>74.12</td>
<td>16.38</td>
</tr>
<tr>
<td>MM</td>
<td>84.26</td>
<td>12.36</td>
</tr>
</tbody>
</table>

($F= 3.98$, $p \leq .05$)
Summary of Main Study Hypotheses Tests

A summary of the Main Study Hypotheses and test results is shown in Table 2.14.

**Table 2.14. Summary of Main Study hypotheses and tests**

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Tests</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Expectancy</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H1a Misaligned goals negatively impact salesperson expectancies.</td>
<td>Main effect of expectancy on aligned and misaligned goals</td>
<td>Supported</td>
</tr>
<tr>
<td>H1b PM scenario will have the lowest salesperson expectancies.</td>
<td>Main effect of expectancy on the scenarios</td>
<td>Partially supported. The respondents in the PM-misaligned condition did have the lowest expectancy (Mean = 4.38). Significantly different from the aligned conditions but not significantly different from MP-misaligned.</td>
</tr>
<tr>
<td><strong>Instrumentality</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H2a Misaligned goals negatively impact salesperson instrumentality</td>
<td>Main effect of instrumentality on aligned and misaligned goals</td>
<td>Not supported. The complex construct has too many &quot;reward elements&quot; (please the company, please the customer, please thyself) to achieve significance across aligned or misaligned goals.</td>
</tr>
<tr>
<td><strong>MP-Weakest Instrumentality</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H2b MP scenario will have the weakest salesperson instrumentality</td>
<td>Main effect of instrumentality on the scenarios</td>
<td>Not supported. The complexity of misaligned conditions is amplified by the price issue in MP.</td>
</tr>
<tr>
<td><strong>Extrinsic Motivation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H3 There will be an interaction between expectancy and instrumentality that will be positively related to extrinsic motivation</td>
<td>Two-way interaction of expectancy and instrumentality on extrinsic motivation</td>
<td>Supported</td>
</tr>
<tr>
<td><strong>Behavioral Intention</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H4 Misaligned goals negatively impact salesperson behavioral intention</td>
<td>Main effect of misaligned goals on salesperson behavioral intention</td>
<td>Supported</td>
</tr>
</tbody>
</table>

**DISCUSSION**
This research provides three key findings for researchers and managers. First, the results provide empirical evidence that pricing does in fact affect a salesperson’s evaluation of required efforts. The salesperson evaluates the probability that a high level of effort, time, and activity will lead to an improvement in their level of performance. If the salesperson realizes that the firm’s pricing constrains his/her performance, the result is a lower expectation that his/her efforts will yield an incremental increase in performance. This finding is consistent with goal setting theory (Locke & Latham, 2002), which maintains that for difficult goals, expectancy of goal achievement is “negatively related to performance” (p. 704).

Second, the findings of this research indicate that in conditions of misaligned goals there is the likelihood that the salesperson will not try to achieve the goals. This conflicts with sales force management literature which suggests that the more behavioral-based the control system (salary and high managerial involvement) the more the salesperson will pursue the goals of the company (Oliver & Anderson, 1994). Sales force compensation strategies are not the only strategy that governs the efforts, intentions, and behaviors of the sales force. The findings of this research indicate that pricing strategy also influences behavior.

The third, finding is that occurrences of misaligned conditions are real and exist in business today. Planning goal alignment is time consuming and difficult. Companies may often find it much easier to price in response to customer demands and competitor prices. Aligning goals is costly. Alignment would likely involve paying the salespeople more on certain products than on others. Instead of constraining sales, alignment would give the salesperson the option to accommodate the price sensitive customer as well as
the quality oriented customer. Alignment may involve changing a compensation program as frequently as the pricing programs change. What is missing in marketing literature is research that investigates the effects of a firm’s pricing strategy on salespeople. This study is an initial effort to fill that gap.

The implications of this research for sales managers are a platform for more sales support and for open dialogue about the effects of price on the behaviors of a salesperson. Sales managers are measured on the performance of their sales force and therefore have a vested interest in obtaining sales tools or creating a selling environment to promote sales. Collaboration between the sales and marketing departments on pricing programs provides an opportunity for the sales force to have ownership in the program prior to release. The collaborative process will likely be perceived by the salespeople as supportive and the outcome program will be viewed as a sales assistance program. When the sales force is involved in the creation of a strategy in which they must implement, the perception of the amount of expected effort required for an increased performance level will likely be lower. When the sales manager comprehends the effects of misaligned goals then he/she can be proactive in selecting performance measures for the sales force that directs efforts towards the preferred goal and providing marketing with more realistic success thresholds. Sales managers that have an understanding of the effects of misaligned goals should re-evaluate failed programs to determine if goal misalignment was the cause.

Armed with the information of this study, sales managers can facilitate an open dialogue with top managers about the relationship between pricing strategies and salesperson behavior. Top managers expect salespeople to sell based on price. This ubiquitous point of view prevents earnest conversations about pricing with the sales
force. Salespeople are often reluctant to mention price to top managers as to avoid the reputation of being a salesperson that only sells based on (low) price. When the salesperson is compensated on growing market share he/she will chose the products that enable access to new customers or markets and those should be the low or competitively priced items. When the salesperson is compensated on profit maximization he/she will chose the products that offer the highest margins and can still be sold. Correcting misaligned goals is actionable by managers, if they know what to look for.

**CONCLUSION**

In conclusion, the central thesis of this essay was supported—a firm’s pricing strategy does affect the sales force. Further, the analysis confirmed support for the effects of expectancy; specifically, in a condition when goals are misaligned a salesperson will perceive lower expectancies than when goals are aligned.

The instrumentality hypotheses were not supported. When comparing conditions where the pricing goal was market share growth the salespeople responded as hypothesized: expectancy for the aligned goals MM-Align was higher than the condition of misaligned goals PM-Mis. Unfortunately, that outcome did not hold true for the conditions where the pricing goal was profit maximization. When the goal of the pricing strategy was to maximize profits the salespeople perceived high instrumentality (link between performance and reward) given a market share compensation goal. Perhaps the salesperson was familiar with this scenario (MP). Salespeople have openly admitted to marshaling company resources to offer the customer in an effort to offset higher prices.
The work of expectancy theorists has once again been confirmed, in that expectancy and instrumentality are positively related to extrinsic motivation. Knowing how to predict extrinsic motivation is a valuable tool for supporting a sales force. Given the direction of the outcomes for expectancy and goal conflict, the inference can be made that aligned goals positively influence levels of extrinsic motivation. Most importantly, this research has produced results that show misaligned goals will lessen the intentions of the sales force to commit to achieving the sales goal. This research has found support for an important but often overlooked influencer of salesperson behavior, the firm’s pricing strategy.

LIMITATIONS AND FUTURE RESEARCH

This study is subject to several limitations; those limitations related to the design of this study provide future research opportunities. Although a benefit of this experiment was the ability to isolate the goals of the pricing and sales force compensation strategies and to test for predicted effects of the salesperson’s expectancy, instrumentality, and behavioral intention; a weakness, of this and other experimental research is the inability to replicate all of the elements that respondents experience in the selling environment. Future research should use different research methods in order to represent other variables potentially impacting the influence of pricing on the salesperson in selling environments. Next, while the goal of this study was to capture the salesperson’s view of the firm’s pricing strategy; single-source bias is a potential limitation. Future research should combine self-reported data and objective data. Compared to a single-industry or a single-organization design, this study more aptly casts a wide net to assess the effects of aligned and misaligned goals on B2B salespeople. However, this study is limited to
respondents that sell in B2B markets with in the United States and therefore readers must be cautioned as to the representativeness and the generalizability of the results across all B2B markets. A deeper examination of global markets is required for future research.

A potential limitation of the respondents used in this study is the limited amount of years as a sales professional with the current company. Most of the respondents, 67%, have been selling for the current company for 1-9 years; however, the average total years of selling experience is 15.6 years. Analysis using company sales experience as a control variable was not significant. Future research may include personal variables in addition to traits of the salesperson such as organizational commitment, locus of control, and tolerance for ambiguity as these may impact behavioral intention (Teas, 1981; Singh, 1998). The main effect of goal alignment is not a statistically significant predictor of a salesperson’s instrumentality. One potential cause may be the respondents’ limited years of sales experience with the current company. Salespeople that have longer tenure with the same company may have more confidence that an increase in their level of performance will yield a particular reward. The results of this study should be checked with a sample of salespeople that have substantially more years of experience with their current company.

Moreover, the dimensions of instrumentality are complex. The instrumentality construct includes the determination of a level of performance and a vast amount of rewards which are intrinsic and extrinsic motivators of behavior towards the determined level of performance. Rewards associated with intrinsic motivation include self-fulfillment and status (Teas, 1981). In keeping with the scope of this study, the measures of instrumentality adapted from Teas (1981), included achieving the sales goal and
rewards associated with extrinsic motivation. Respondent fatigue was a concern of this study; however subsequent research should include a more exhaustive list of instrumentality measures.

This study measures salespersons’ behavioral intention; although intention may predict behavior (Ajzen, 1991); a degree of uncertainty regarding actual behavior still remains when the salesperson is placed in the actual sales situation. Future research should measure the effects of aligned and misaligned goals of the pricing and sales force compensation strategies on specific sales force behaviors such as opening new accounts, making proposals and presentations, and selling new product offerings.

Future research that emerges from this study should investigate the relationship between salesperson perceived effort given aligned and misaligned goals. It is anticipated that salespeople will perceive misaligned goals as more difficult therefore require more effort to achieve. Findings of previous research have shown that difficult goals positively influence selling effort (Fang et al., 2004). Finally, this study provides the foundation for future research into the importance of the motivational effects of a firm’s pricing strategy on sales performance.
References


Satisfaction. *International Journal of Hospitality & Tourism Administration*, 9(4), 327-351.


APPENDIX A

Essay 1: Exploratory Interviews—Protocol
Introduce one another and obtain permission to record conversation. If interviewee is manager, use verbiage in brackets, below.

1. Please tell us the name of your company.

2. What industry are you in?

3. What are the products/services that you sell?  
   <Probe for individually and overall in the company>

   We are interested in how some organizational factors that are out of your control may affect what you do/how you perform your job [what your sales force does/how your sales force performs their jobs].

4. Would you please give us some basic information about your [your sales force’s] compensation structure?  
   <Probe for strict salary or combination salary and commission. If commission, volume or dollar?>

   4a. Is your compensation based on profit margin goals or market share growth goals?  
   <Get specific goals for sales performance.>

5. In your organization, who is responsible for setting prices for products and services?

5a. Are you as a salesperson <manager> ever involved in establishing a product price list? Are you responsible for the distribution/implementation of the price list?
6. Does your organization change prices on products or product lines from time to time? How frequently? Why do they do it? *If necessary, probe for type of adjustment, perm or temp, etc.*

6a. **Are the goals of the pricing strategies apparent or communicated to the sales force?** *Are you as the Sales Manager part of the joint pricing planning meetings or strategy creation program?*

7. In general, can you tell us about how the way your organization sets prices or changes or communicates prices affects what you do/how you perform your job? [what your sales force does/how they perform their jobs/ how it affects how you evaluate sales force performance?]* <Probe for a specific example.>

7a. **Can you think of a time when your sales performance was effected (goals not achieved or goals achieved) as a result of a pricing strategy change?** <Probe for a specific example.>

8. In general, how does your organization’s pricing approach affect your [your sales force’s] ability to sell effectively? *Does it cost you sales/customer satisfaction?* <Probe for either positively or negatively. Probe for example of salesperson risk or perceived effort.>

8a. Think about one product you sell, what do you think the objective is for how that product is priced when compared to the market? *Do you feel the pricing makes it easier or harder for you to sell?* <Probe for either market share or profit. Probe for example.>

9. Looking back, in your experience, have you ever faced a situation in which the way the company priced and promoted its products did not match with your [your sales force’s] incentive/compensation structure? Could you walk us through that situation? *Does it change your attitude about the way or how hard you have to work to sell?*
10. How well was this problem understood or acknowledged by management [across the firm]? <Probe for what was considered as the source(s) of the problem. Probe further as to whether mis-match between pricing and compensation was considered a source.>

11. When you look at product pricing, how does price affect the amount of effort you have [your sales force has] to expend to sell a product successfully? <Probe for circumstances under which this happen; if manager, how it affects him/her.>

12. How does the pricing approach of your organization affect your [your sales force’s] motivation to sell/perform? <Probe for specific example.>

   OR

13. Can you tell me about time when you felt any more or less motivated to sell/perform by price structure, price changes, or other things out of your control? <If no, probe for anyone else in the firm.>

   13a. When you look at product pricing, how does price affect the amount of customer satisfaction you have established [your sales force has] to sell a product successfully? <Probe for circumstances under which this happen; if manager, how it affects him/her.>

   13b. When you look at product pricing, does it require you to find and offer additional service items to your customers to offset prices enabling you [your sales force] to sell a product successfully? <Probe for circumstances under which this happen; if manager, how it affects him/her or the costs to the firm.>

   13c. In your opinion, is your product pricing communicated effectively (of high quality- timely, easy to understand) to your customers (and maybe your competitors)? Is your product pricing communicated effectively (of high quality- timely, easy to understand) to you and the rest of the sales force? <Probe for circumstances under which both effect and non-effective communication happens; if manager, how it affects him/her.>

15. How satisfied are you with the way your [your sales force’s] compensation plan is structured? Is it a fair structure? How effective do you think it is? *Does it motivate you to increase your sales/open new customers/only sell high margined product?* *<If manager, probe for how this affects their job performance, ease of doing their job, etc.>*

16. Any final comments or questions?  
*<Conclude and thank.*>
Pricing and Sales Force Compensation

Thank you for agreeing to participate in this survey. You must be at least 21 years of age or older to participate in this study. The goal of this study is to develop a better understanding of selling strategies. Your participation is strictly voluntary. You may opt out of the survey at any time with no penalty.

You will not be identified in any way. Responses will be combined for all participants and studied only in the aggregate. All of the information that you provide is strictly confidential.

Your voluntary participation and candid responses are vital to the study. The questionnaire should take approximately 15 to 20 minutes to complete. Instructions are provided for each section of the questionnaire.

Thank you very much for your assistance!

Participation:

_ I agree and give my consent to participate in this research project. I understand that participation is voluntary and that I may withdraw my consent at any time without penalty.
_ I do not agree to participate and will be excluded from the remainder of the questions.

If the participant chooses NOT to agree, then the participant is skipped to the end of the survey.

Qualifier questions:

Q#1. What best describes your current job? (Salesperson, Sales Manager with account responsibility, Sales Manager with no accounts, VP of Sales, other type of sales professional with account responsibility, other type of sales professional without account responsibility).

If Sales Manager with no accounts, VP of Sales, and other type of sales professional without account responsibility are chosen- then the participant is skipped to the end of the survey.

Q#2. Do you sell in Business to Business markets? (yes, no)

If no is selected then the participant is skipped to the end of the survey.
Scenario

Please read the short scenario that follows and place yourself in the situation described in the scenario. Responding to the survey will take 15-20 minutes of your time. This same scenario will appear two more times during the survey. You can refer back to the scenario throughout the survey.

Scenario Version PM

You work for a company that just announced their goals for the year. You are a sales professional for this company, and your customer base includes manufacturers and distributors. You are responsible for the complete sales cycle which includes obtaining and conveying market and product information, completing sales reports, and maintaining customer relationships. The Marketing Department is responsible for advertising, promoting, and pricing all of the products you sell.

You just found out that your **sales goal for the year is to increase the profit margin for sales of a product line in your territory by 3%**. For this fiscal year, your commission will increase by an additional 3% on total monthly sales when you achieve your new goal of increased profit margin. There is no earnings cap. Based on last year’s pricing structure you know you will have to increase your sales of this product line significantly in the coming year in order to receive the extra commission. However, you also just learned that the Marketing Department has communicated to the market a “fighting” product pricing strategy with lower prices for the same product line in order to gain market share. Marketing has indicated that the lower prices are in effect for at least a year.

Scenario Version MP

You work for a company that just announced their goals for the year. You are a sales professional for this company, and your customer base includes manufacturers and distributors. You are responsible for the complete sales cycle which includes obtaining and conveying market and product information, completing sales reports, and maintaining customer relationships. The Marketing Department is responsible for advertising, promoting, and pricing all of the products you sell.

You just found out that your **sales goal for the year is to increase the market share for sales of a product line in your territory by 3%**. For this fiscal year, your commission will increase by an additional 3% on total monthly sales when you achieve your new goal of increased market share. There is no earnings cap. Based on last year’s pricing structure you know you will have to increase your sales of this product line significantly in the coming year in order to receive the extra commission. However, you also just learned that the Marketing Department has communicated to the market a “premium” product pricing strategy with higher prices for the same product line in
order to maximize profits. Marketing has indicated that the higher prices are in effect for at least a year.

Scenario Version PP

You work for a company that just announced their goals for the year. You are a sales professional for this company, and your customer base includes manufacturers and distributors. You are responsible for the complete sales cycle which includes obtaining and conveying market and product information, completing sales reports, and maintaining customer relationships. The Marketing Department is responsible for advertising, promoting, and pricing all of the products you sell.

You just found out that your sales goal for the year is to increase the profit margin for sales of a product line in your territory by 3%. For this fiscal year, your commission will increase by an additional 3% on total monthly sales when you achieve your new goal of increased profit margin. There is no earnings cap. Based on last year’s pricing structure you know you will have to increase your sales of this product line significantly in the coming year in order to receive the extra commission. However, you also just learned that the Marketing Department has communicated to the market a “premium” product pricing strategy with higher prices for the same product line in order to maximize profits. Marketing has indicated that the higher prices are in effect for at least a year.

Scenario Version MM

You work for a company that just announced their goals for the year. You are a sales professional for this company, and your customer base includes manufacturers and distributors. You are responsible for the complete sales cycle which includes obtaining and conveying market and product information, completing sales reports, and maintaining customer relationships. The Marketing Department is responsible for advertising, promoting, and pricing all of the products you sell.

You just found out that your sales goal for the year is to increase the market share for sales of a product line in your territory by 3%. For this fiscal year, your commission will increase by an additional 3% on total monthly sales when you achieve your new goal of increased market share. There is no earnings cap. Based on last year’s pricing structure you know you will have to increase your sales of this product line significantly in the coming year in order to receive the extra commission. However, you also just learned that the Marketing Department has communicated to the market a “fighting” product pricing strategy with lower prices for the same product line in order to gain market share. Marketing has indicated that the lower prices are in effect for at least a year.

Survey
Please reflect on the scenario that you just read when answering the following questions. Select the response that best represents how you feel based on the scenario. Use a scale ranging from (1) “strongly disagree” to (7) “strongly agree”.

**Manipulation check**

1. In the scenario, the goal of the sales force compensation strategy is to increase market share.

2. In the scenario, the goal of the pricing strategy is to maximize profits.

**Realism check \( (a = .813) \)**

3. I can imagine a company actually implementing the initiatives described in the scenario.

4. The sales situation described in the scenario likely occurs in business today.

**Interpretation check**

5. Based on the scenario, the potential 3 percent increase in my commission is __.  
   (1) “very unattractive” to (7) “very attractive”

Please consider the scenario and slide the bar to reflect your response to the following questions. Use your cursor to slide the bar from (0) “not at all” to (100) “a lot”.

**Conflict check**

6. To what degree do you feel the pricing goal in the scenario is in conflict with the sales force compensation goal?

**Behavioral intention \( (a = .759) \)**

7. If you were in the situation described in the scenario, to what degree would you try to achieve the pricing goal?

8. If you were in the situation described in the scenario, to what degree would you try to achieve the sales force compensation goal?

Consider the scenario when you respond to the following questions. Indicate the response that best represents your feelings about the statement on the scale ranging from (1) “strongly agree” to (7) “strongly disagree”.

**Instrumentality \( (a = .604; \text{ but } a = .779 \text{ if Q15.3 and Q15.4 only}) \)**
9. Based on the information in the scenario, if I meet my sales goal my commission will increase by an additional 3 percent this year.

10. Based on the information in the scenario, reaching my sales goal will result in earning my commission.

11. Based on the information in the scenario, if I achieve my sales goal I will be viewed more favorably by my manager.

12. Based on the information in the scenario, if I achieve my sales goal I will attain more prestige within my organization.

13. Based on the information in the scenario, if I achieve my sales goal I will be viewed more favorably by my customers.

Consider the scenario when you respond to the following questions. Indicate the response that best represents your feelings about the statement on the scale ranging from (1) “strongly disagree” to (7) “strongly agree”.

Extrinsic motivation ($\alpha = .864$)

14. If I were in the situation described in the scenario, the extra money that I could earn from achieving the sales goal would strongly motivate my efforts.

15. If I were in the situation described in the scenario, I would be keenly aware of the income rewards available to me.

16. If I were in the situation described in the scenario, I would be strongly motivated by the recognition I could earn from other people.

17. The situation described in the scenario would provide an opportunity for me to show others how well I can perform in my job.

18. If I were in the situation described in the scenario, the extra commission I could earn would make me work harder to achieve my sales goal.

Consider the scenario when you respond to the following questions. Indicate the response that best represents your feelings about the statement on the scale ranging from (1) to (7).

Expectancy ($\alpha = .843$ with reverse coded item)

19. Given the scenario, I would estimate my chances of success in achieving the assigned sales goal to be ______. (1 = very poor, 7 = excellent)
20. Based on the scenario, performing my duties as well as I am capable would result in reaching my sales goal. (1=strongly disagree, 7=strongly agree).

21. Given the scenario, it would be unlikely that my efforts would enable me to achieve the goal for this product line. (1=strongly disagree, 7=strongly agree).(R)

22. Given the scenario, the probability that I would be able to achieve the necessary increase in sales would be _____. (1= very low, 7=very high)

23. Given the scenario, achieving the sales goal would be____. (1= highly unlikely, 7= highly likely)

The following questions are about your current job and your feelings based on your selling experience. Indicate the response that best represents your feelings about the statement on the scale ranging from (1) “strongly agree” to (7) “strongly disagree”.

Demographics

The following questions are about your current job and your experience. Please insert or select the appropriate response.

24. How many years of experience do you have as a sales professional? (fill in the blank)

25. How many years have you worked in sales at your current company? (fill in the blank)

26. What is your gender? (male, female)

27. What is the highest level of education you have completed? (Less than high school, High School/GED, Some college, 2-year College Degree, 4-year College Degree, Graduate Degree)

28. What industry do you sell in? (fill in the blank)

29. What percent of your total compensation is commission? (fill in the blank)
Main Study Instrument

Pricing and Sales Force Compensation

Scenario Version PM  (Other scenarios were changed in the same manner)

Please read the short scenario that follows and place yourself in the situation described. Responding to the survey will take 15-20 minutes of your time. This same scenario will appear two more times during the survey for your reference.

You work for a company that just announced their goals for the year. You are a sales professional for this company, and your customer base includes manufacturers and distributors. You are responsible for the complete sales cycle which includes obtaining and conveying market and product information, completing sales reports, and maintaining customer relationships. The Marketing Department is responsible for advertising, promoting, and pricing all of the products you sell.

You just found out that your sales goal for the year is to increase the profit margin for sales of a product line in your territory by 3%. If you do this, your commission will increase by an additional 3% on total monthly sales. There is no earnings cap. Based on last year’s pricing structure you know you will have to increase your sales of this product line significantly in the coming year in order to receive the extra commission. However, you also just learned that the Marketing Department has communicated to the market a “fighting” product pricing strategy with lower prices for the same product line in order to gain market share. These lower prices are in effect for at least a year.

In summary, the goal of the sales force compensation strategy is to maximize profits and the goal of the pricing strategy is to increase market share.

Survey

Please reflect on the scenario that you just read when answering the following questions. Select the response that best represents how you feel based on the scenario. Use a scale ranging from (1) “strongly disagree” to (7) “strongly agree”.

Manipulation check

1. In the scenario, the goal of the sales force compensation strategy is to increase market share.  
   \( F=11.31, \ p \leq .001 \)

2. In the scenario, the goal of the pricing strategy is to maximize profits.
   \( F=13.99, \ p \leq .001 \)
Realism check \((\alpha = .78)\)

3. I can imagine a company actually implementing the initiatives described in the scenario.

4. The sales situation described in the scenario likely occurs in business today.

Interpretation check

5. Based on the scenario, the potential 3 percent increase in my commission is ___. (1) “very unattractive” to (7) “very attractive”

Please consider the scenario and slide the bar to reflect your response to the following questions. Use your cursor to slide the bar from (0) “not at all” to (100) “completely”.

Conflict check

6. To what degree do you feel the pricing goal in the scenario is in conflict with the sales force compensation goal? \((F=5.85, p \leq .05)\)

7. In the scenario, the goal of the pricing strategy is in conflict with the goal of the sales force compensation strategy. (1) “strongly disagree” to (7) “strongly agree” \((F=12.08, p \leq .001)\)

Behavioral intention \((\alpha = .71)\)

8. If you were in the situation described in the scenario, to what degree would you try to achieve the pricing goal?

9. If you were in the situation described in the scenario, to what degree would you try to achieve the sales force compensation goal?

Please reflect on the scenario you just read when you are answering the following questions. Check the response that best represents how you feel about the question.

Expectancy \((\alpha = .93)\)

10. Given the scenario, I would estimate my chances of success in achieving the assigned sales goal to be_____. (1= very poor, 7= excellent)

11. Based on the scenario, performing my duties as well as I am capable would result in reaching my sales goal. (1=strongly disagree, 7=strongly agree)

12. Given the scenario, the probability that I would be able to achieve the necessary increase in sales would be_____. (1= very low, 7=very high)
13. Given the scenario, achieving the sales goal would be____. (1= highly unlikely, 7= highly likely)

Instrumentality ($\alpha= .83$)

Monetary reward. (Eigenvalue 1.46) ($\alpha= .74$)

14. Based on the information in the scenario, if I meet my sales goal my commission will increase by an additional 3 percent this year. Factor .87

15. Based on the information in the scenario, reaching my sales goal will result in an increase in commission. Factor .90

16. Based on the information in the scenario, if I reach my sales goal my overall pay will increase. Factor .71

Performance recognition—internal (organizational recognition) and external (customer facing recognition) (5 items: Eigenvalue 3.75, $\alpha= .89$)

17. Based on the information in the scenario, if I achieve my sales goal I will be viewed more favorably by my manager. Factor .73

18. Based on the information in the scenario, if I achieve my sales goal I will attain more prestige within my organization. Factor .80

Performance recognition—External Customer_Facing_Instrumentality (3 items: Eigenvalue 3.45, $\alpha = .90$, $M = 4.14$)

19. Based on the information in the scenario, if I achieve my sales goal I will be viewed more favorably by my customers. Factor .80

20. Based on the information in the scenario, if I achieve my sales goal I will have fewer complaints from my customers. Factor .93

21. Based on the information in the scenario, achieving my sales goal, will result in better working relationships with my customers. Factor .834

Extrinsic motivation ($\alpha= .88$)

22. If I were in the situation described in the scenario, the extra money that I could earn from achieving the sales goal would strongly motivate my efforts.

23. If I were in the situation described in the scenario, I would be keenly aware of the income rewards available to me.
24. The situation described in the scenario would provide an opportunity for me to show others how well I can perform in my job.

25. If I were in the situation described in the scenario, the extra commission I could earn would make me work harder to achieve my sales goal.

Goal difficulty (α=.81)

When responding to these next questions please think about the degree to which the pricing strategy helps or hinders your ability to achieve your sales goal.

26. In the scenario, the pricing strategy will make it more difficult to achieve my assigned sales goal. (1) “strongly disagree” to (7) “strongly agree”

27. As described in the scenario, the pricing strategy makes achieving the assigned sales goal ___. (1) “much easier” to (7) “much harder”

28. Given the pricing strategy, the assigned sales goal in the scenario would be ___. (1) “not difficult at all” to (7) “very difficult”

Demographics

The following questions are about your current job and your experience. Please insert or select the appropriate response.

29. How many years of experience do you have as a sales professional? Not significant (F = .25, p = .62)

30. How many years have you worked in sales at your current company? Not significant (F=1.68, p = .174)

31. What is your gender? (male, female) Not significant (F=.36, p = .79)

32. What is the highest level of education you have completed? (Less than high school, High School/GED, Some college, 2-year College Degree, 4-year College Degree, Graduate Degree) Not significant (F = .03, p = .99)

33. What industry do you work in? Not significant (F =.31, p = .58)

34. What percent of your total compensation is commission? Not significant (F = .39, p = .54)