# How Do I Trust Thee? Let Me Control the Way: The Role of Sales Control in the Development of Sales Manager Trust

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The authors propose and test a theoretical link between sales control and managerial trust. The relationship between a manager and salesperson is examined over time to show that at various stages of their relationship, managerial trust in a salesperson is dependent upon the type of sales control strategy that is used, the firm specific expertise of the salesperson, and congruent goals between the manager and salesperson. Data from 100 industrial sales managers was analyzed to develop three models depicting managerial trust at the "beginning stage", "developing stage", and "advanced stage" of the manager – salesperson relationship. The results from this study offer managerial implications as to how sales managers can build trusting relationships with their salespeople.

## INTRODUCTION

How can a manager utilize sales control to develop trust in h/her salesforce? This is an important question because managerial trust has been shown to have an impact on subordinate job satisfaction (Brashear, Manolis, and Brooks 2003, Dirks and Ferrin 2002), commitment to the relationship (Morgan and Hunt 1994), cooperative behavior (Jones and George 1998), positive attitudes (Dirks and Ferrin 2002), reluctance to quit (Dirks and Ferrin 2002) and most important, bottom line performance (Atuahene-Gima and Li 2002; Brashear, Manolis, and Brooks 2003, Dirks and Ferrin 2002). Because trust produces such benefits, managers need to implement strategies to build trusting relationships with their subordinates in order to maximize organizational effectiveness. But despite the benefits of trust, managers still need to utilize sales control to ensure the attainment of organizational objectives (Challagalla and Shervani 1996). In fact, in their call for more research to adapt sales control to the new selling environment, Brown et al. (2005) suggest that managers utilize appropriate forms of control to set sales goals and reward sales performance in order to build trust-based relationships with subordinates. This implies that both trust and control need to co-exist in a well-managed salesforce. Unfortunately, the extant research provides little in the way of describing how managers can concurrently utilize trust and control to effectively manage their salespeople.

The fundamental goal of sales management is to direct the activities of the salesforce to ensure the attainment of performance goals and objectives (Ingram, et al. 2006). The salesforce management literature has historically focused on the use of sales control to accomplish this objective (Anderson and Oliver 1987; Challagalla and Shervani 1996; Cravens et al. 1993; Krafft 1999; Oliver and Anderson 1994, 1995). Much of this research has emphasized identifying the antecedents and outcomes of sales control (Cravens et al.

1993, Krafft 1999, Oliver and Anderson 1994, 1995). However, despite the considerable strides made through this research, few insights have been provided to identify how managers can utilize sales control strategies to build trusting relationships with salespeople. This is an important issue for continued study since as Dirks and Ferrin (2002) suggest, trust building is a more important aspect of sales management than currently proposed in the literature.

We address this topic by proposing and testing a theoretical link between sales control and managerial trust. We propose as the relationship between a manager and salesperson develops over time, specific forms of governance serve to create interdependencies between the manager and salesperson so that both parties may gain from an increase in knowledge, skill development, goal alignment, and communication (Rindfleisch and Heide 1997). The subsequent impact of this is to allow managers the flexibility to adjust their sales control strategy while increasing trust in their salespeople. To study sales control's effect on trust, we examine managers' use of *sales control* - showing how its use leads to the development of salesperson expertise and goal orientation, ultimately resulting in increased managerial trust. To date, little research has been done to study these effects. Furthermore, most of the extant salesforce literature examines trust as perceived by the salesperson. This study fills an apparent void by studying trust from the sales manager's perspective. We test our proposed sales control – trust relationship using a sample of sales managers to demonstrate the impact that sales control has in the development of managerial trust in the salesperson.

## THEORY AND HYPOTHESES

Our study centers on the formation of managerial trust along progressive stages of manager – salesperson relationship development. To establish the basis for our theoretical arguments, we begin by reviewing the relevant literature on managerial trust and salesforce governance. We then develop the linkage between sales control and trust by describing how the two change over the life of the manager – salesperson relationship. Based on the insights from this review, we develop testable hypotheses for the relationships between various salesforce governance mechanisms and trust.

### *Managerial Trust & Salesforce Governance*

Trust is a psychological construct that has been widely applied in psychology, sociology, economics, management, and sales research. From the psychology literature, trust is an expectancy (Rotter 1967, 1971, 1980) held by one individual and based on prior experiences (Deutsch 1968) that another individual can be relied upon. In the sales literature, trust has been most commonly defined as the belief of the trusting person that another will fulfill h/her obligations. For example, in the sales literature, Swan, Trawick, and Silva (1985) define trust as the situation where one party (e.g., a manager, buyer, etc.) who is dependent on the salesperson's honesty and reliability, believes that the salesperson can be relied upon to perform h/her duties or do what s/he commits to do. Swan, et al. (1988) suggested that being dependable/reliable, honest/candid, competent, customer-oriented, and likable/friendly were all likely to lead to a sales manager's trust in the salesperson. Zaheer, McEvily, and Perrone (1998, page 125) summarize trust as "…the interpersonal reliance one boundary spanning agent has in his/her organizational counterpart…" Specific to our research, this definition of trust seems most appropriate because in the salesforce context, both sales manager and salesperson can be considered as "boundary-spanners" in that both are accountable to multiple constituents (e.g., managers, peers, customers, etc.). Here, we are primarily interested in the sales manager's trust in h/her salesperson and how that trust is related to the specific sales governance strategies used by the manager. Although a great deal of research has examined the impact that various forms of salesforce governance have on salesperson opportunism (Krafft 1999, Oliver and Anderson 1994), little empirical research has been done to study the effects of salesforce governance on a sales manager's trust toward a salesperson.

In contrast to governance mechanisms which are designed to limit salesperson opportunism (Williamson 1985; 1996), interpersonal trust is an expectancy (Rotter 1967, 1971, 1980) based on prior experiences (Deutsch 1968; Driscoll 1978; McAllister 1995; Jones and George 1998) in the reliability (Swan, Trawick, and Silva 1985) of another that s/he will fulfill h/her obligations (e.g., a salesperson will spend their day making sales calls as opposed to playing golf). Thus, trust is different from opportunism prevention in that it is "more delimited and behavioral in nature" (Jap and Anderson 2003). This suggests that the primary role of trust is not to prevent opportunism (per se) but instead to establish a more productive relationship by creating interdependencies between the organization and the salesperson (Morgan and Hunt 1994). Such interdependencies indirectly reduce the desire for salespeople to act opportunistically (Rindfleisch and Heide 1997). Thus, the study of trust development is an important contribution to sales research and more work is needed to understand how managerial trust develops. To better address this issue, we need to describe the relationship between sales control (as a mechanism for salesforce governance) and managerial trust at various stages of the manager – salesperson relationship.

### *Sales Control and Trust*

Sales control has been conceptualized as a means for managers to enhance the attainment of desired organizational goals and objectives (Challagalla and Shervani 1996) while reducing the transaction costs associated with managing the salesforce (Anderson and Oliver 1987; Krafft 1999; Oliver and Anderson 1994, Baldauf, Craven, and Piercy 2005). Early on, Anderson and Oliver (1987) used transaction cost analysis (TCA) to conceptualize and later empirically test (Oliver and Anderson 1994) outcomes from manager's use of sales control. Krafft (1999) later investigated the antecedents of sales control using two TCA dimensions (transaction specific assets and uncertainty). The traditional view (Anderson and Oliver 1987) depicts sales control as behavior-based, outcome-based, or some variation of the two (Oliver and Anderson 1995). Because of sales control's reliance on close managerial monitoring, evaluation, and supervision of subordinate performance, the relationship between sales control and trust has been posited to be a negative one (Williamson 1985). The implication here is that as the tenure of the relationship between a manager and salesperson develops over time, the sales manager will know how a salesperson is likely to act and will rely less on formal control to manage the salesperson. Over time, as control over the salesperson is diminished, managerial trust in the salesperson should increase.

One particular view of sales control suggests that because of the wide range of subjective activities and behaviors that salespeople perform leading up to a sale, behavior-based sales control can be further divided into two components: activities control and capabilities control (Challagalla and Shervani 1996). The activity control component addresses the monitoring and supervision of activities in pursuit of the sale (e.g., making sales calls, delivering proposals, presentations, and customer demonstrations, etc.) whereas the capabilities control component emphasizes the development of salesperson skills (through coaching and mentoring) and abilities designed to improve performance. In essence, the focus here is on developing firm specific knowledge and abilities to make the salesperson a more valuable asset to the sales organization. Prior research (Challagalla and Shervani 1996; Rindfleisch and Heide 1997) suggests that this strategy tends to discourage salesperson opportunism; however, not much is known about its impact on managerial trust. To examine this, we draw from the empirical sales control literature to show at various stages in the manager – salesperson relationship and based on the selling situation (Flaherty, Arnold, and Hunt 2007), behavior-based sales control may serve to increase salesperson expertise, skill, and capabilities (Challagalla and Shervani 1996). Thus, in addition to preventing salesperson opportunism – such use of sales control can have an impact on managerial trust. The following discussion develops this logic and provides the basis for testable hypotheses.

*Beginning Stage of the Manager – Salesperson Relationship.* In the early stage of their relationship, the manager's knowledge of the salesperson will be limited due to few interactions and prior transactions between the two. For this reason, the risk of salesperson opportunism is high. This is due to the salesperson's limited knowledge of company products, services, applications, and means to provide value to customers. Moreover, because a newly hired salesperson has had fewer opportunities to participate in training, communicate with h/her manager, and assimilate the sales organization culture, s/he may experience feelings of role ambiguity, lack of clarity, and isolation (Weitz, Castleberry, and Tanner 2004). Such feelings may result in the pursuit of activities that are non-productive and/or incongruent with organizational goals and objectives (i.e., opportunistic behavior). To reduce this uncertainty and to prevent salesperson opportunism, a sales manager utilizes a governance strategy that is primarily *behavior-based* (Krafft 1999). Using this form of sales control, the manager may set specific activity goals for the salesperson (e.g., sales calls per day, prospecting leads, customer research, etc.). Being new, the salesperson will likely be eager to comply with these activity goals established by the manager. The manager will also actively work with the salesperson to develop skills and capabilities necessary to ensure that organizational objectives are met. This is done through closer managerial supervision, coaching and mentoring. At this stage of the relationship, we would expect that the development of managerial trust be primarily due to h/her confidence that the salesperson will utilize newly developed skills to reach performance objectives set by the manager. Therefore, we expect the following relationship between sales control and trust:

***H*$_1$*:*** *At the beginning stage of the sales manager – salesperson relationship, a positive relationship exists between a sales manager's use of behavior-based sales control and the level of trust the manager assigns to that salesperson.*

*Developing Stage of the Manager – Salesperson Relationship.* The behavior-based sales control used by the manager up to this point plays a dual role in the trust building process. More specifically, in addition to closely supervising the activities of the salesperson, the investment made in salesperson capabilities development leads to the development of firm specific skill sets. If these skills have limited transferability to other sales organizations, it represents *firm specific expertise.* The firm specific expertise developed by the salesperson and the investments made by the sales manager to develop those skills represent credible commitments on the part of both individuals. According to Rindfleisch and Heide (1997), such investments tend to reduce opportunism; however, from a trust formation perspective, credible mutual investments cause a fundamental change to occur in the manager – salesperson relationship by shifting the focus of the relationship from protecting oneself to protecting the investments made by both individuals as well as the expected returns from those investments. This encourages the development of a closer, more trusting relationship between the sales manager and the salesperson. From the sales manager's perspective, since the salesperson's success is directly linked with that of the firm, the salesperson's actions will likely be in the best interest of the firm's. For this reason, the salesperson's response to the sales manager's investments in their professional development should increase h/her desire to share information and work in tandem with the manager to achieve sales objectives (Wathne and Heide 2000). This results in higher levels of managerial trust because, as long as the goals of the two are aligned, the manager can more confidently predict how the salesperson is likely to act. Our second hypothesis summarizes this argument:

***H*$_{2a}$*:*** *At the developing stage of the sales manager – salesperson relationship, a positive relationship exists between a sales manager's perception of salesperson firm specific expertise and the level of trust the manager assigns to that salesperson.*

Because of the sales manager's professional development investments up to this point, the salesperson will have the skills needed to be counted on to consistently meet required sales quotas and goals (e.g., revenue, unit sales, and profits). As a result, the manager may then change h/her sales control strategy from behavior-based to *outcome-based* as the focus shifts from management of sales activities and capability development to sales production. This shift in control strategy better aligns the goals of the manager and the salesperson since both are now able to accrue (financial and results) benefits from output based performance goals (e.g., production of revenue, units, profit margin, etc.). Relative to managerial trust, we expect the following relationship:

***H$_{2b}$:*** *At the developing stage of the sales manager – salesperson relationship, a positive relationship exists between a sales manager's use of outcome-based sales control and the level of trust the manager assigns to that salesperson.*

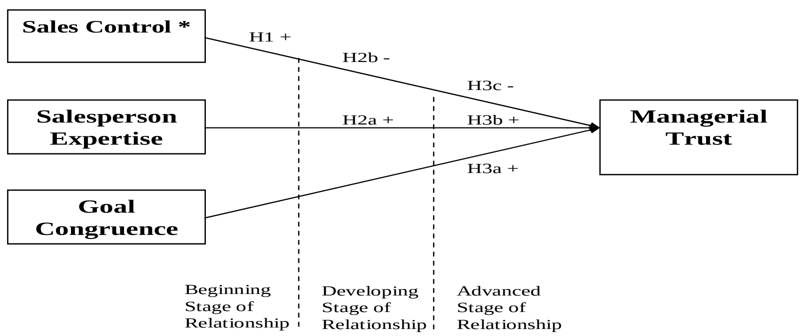
*Advanced Stage of the Manager – Salesperson Relationship.* As the manager – salesperson relationship enters an advanced stage, the impact of sales control on managerial trust should diminish and give way to other governance factors. At this stage, the manager and salesperson know each other well having had ample opportunities to interact over an extended period of time. At this point, both are motivated to work together to maximize returns. This leads to increasing levels of transparency between the two individuals which enhance the potential for continued positive customer outcomes (e.g., information is shared between the sales person - the primary customer interface, and the sales manager - the holder of firm resources, thereby allowing the two to identify and more quickly respond to customer needs). As positive outcomes are realized from their joint efforts to meet customer needs and as those outcomes are equitably split (Buvik and John 2000), higher levels of *goal congruence* are expected to develop between the sales manager and the salesperson which facilitates increased cooperation, information exchange, and relational unity (Telser 1980). Managerial trust is increased because it is in the salesperson's best interest to pursue goals that are consistent with that of the sales manager and the firm (i.e., a win/win condition is reinforced). In other words, the sales manager can trust that the salesperson will work in the best interest of the firm because when the firm wins so does the salesperson. At this stage, salesperson firm specific expertise is at its highest levels (due to experience and capability development) and as a result, managers are expected to allow the salesperson more freedom to accomplish sales goals with less monitoring and supervision (i.e., more outcome-based sales control). Our third set of hypotheses convey these relationships:

***H$_{3a}$:*** *At the advanced stage of the sales manager – salesperson relationship, a positive relationship exists between a sales manager's perceived goal congruence with the salesperson and the level of trust the manager assigns to that salesperson.*

***H$_{3b}$:*** *At the advanced stage of the sales manager – salesperson relationship, a positive relationship exists between a sales manager's perception of salesperson firm specific expertise and the level of trust the manager assigns to that salesperson. This positive effect will be stronger than in any previous stages of the sales manager – salesperson relationship.*

***H$_{3c}$:*** *At the advanced stage of the sales manager – salesperson relationship, a positive relationship exists between a sales manager's use of outcome-based sales control and the level of trust the manager assigns to that salesperson. This positive effect will be stronger than in any previous stages of the sales manager – salesperson relationship.*

Figure 1: Hypothesized Relationships




* Sales Control: pos. relationship = behavior based; neg.relationship = outcome based

Figure 1 is provided to summarize each of the hypothesized relationships of this section.

## METHOD

### *Sample*

A questionnaire was provided to sales managers across different firms and industries. Prior to administering the questionnaire, a sample of 10 sales managers was selected to pre-test the survey. Managers were asked to complete the survey and provide comments on length of time to complete, instruction and question clarity, and overall survey flow. Based on their feedback, changes were made to clarify instructions and reduce the time needed to complete the survey. Upon revising the questionnaire, we contacted sales managers from a local chapter of Sales and Marketing Executives (SME) located in Northeast Ohio. Those managers who agreed to participate in the survey were either provided with a paper version (85 of which 53 were returned – response rate of 62%) or a web link to an online version of the survey (109 of which 47 were returned – response rate of 43%). The combined overall response rate was 52%. Based on membership information obtained from the director of the local SME chapter, the demographic profile of our sample closely parallels that of the SME membership.

Consistent with Levin and Cross's (2004) sampling methodology (4 subordinates to 1 manager in their case), sales managers were asked questions pertaining to *any* three individual (manager-identified) salespeople within their salesforce. To ensure that the manager was providing information on three different salespeople (versus the same one), we asked for a ranking of each salesperson (1 = highest to 3 = lowest) relative to h/her sales performance. This allowed us to gather information for a broader cross-section of salespeople relative to their level of performance.

Table 1 shows the demographic breakdown of the respondents. We tested and found no significant differences resulting from multiple data collection

**Table 1**

**Demographics of Sample**

| | Mean | Percent of Total |
|---|---|---|
| | | |
| Gender of Sales Manager: | | |
| Male | | 65 |
| Female | | 12 |
| Not Specified | | 23 |
| | | |
| Avg. # of SP reporting to Sales Manager | 10.9 | |
| | | |
| Avg. Yrs Salesperson reporting to SM | 3.3 | |
| | | |
| **Primary Customers are:** | | |
| Businesses | | 74 |
| Resellers | | 24 |
| Consumers | | 2 |
| | | |
| Primary Industry is: | | |
| Telecommunications | | 26 |
| Publishing/Printing | | 18 |
| Financial Services | | 15 |
| Business Services | | 13 |
| Transportation Services | | 10 |
| Real Estate Services | | 6 |
| HealthCare | | 5 |
| Other (Advertising, Promotion, Manufacturing) | | 7 |

methods (paper versus online). We used the t-test for metric scales and non-parametric Chi squared test of equal proportions for non-metric scales. The procedure outlined by Armstrong and Overton (1977) was used to verify that there were no significant differences between early and late responders for each of the variables used in the study.

### *Measures*

Measurement items were drawn from existing scales and are included in the paper's appendix. The dependent variable, *managerial trust* was measured for each salesperson by averaging four items. We chose this four-item measure of trust (based on the trust scale used by Zaheer, McEvily, and Perrone 1998) because it captured the predictive nature of trust (Deutsch 1968; Rotter 1980) as well as provided for a direct assessment. A factor analysis of two items directly measuring trust with two items measuring the manager's ability to confidently predict future behavior based on past experiences predicted 71% of the total variance and loaded on a single factor. This, coupled with the high reliability estimate for the scale (Cronbach's alpha = 0.87), determined that our measure was a valid representation of interpersonal trust.

*Sales control* was measured using the control index methodology developed by Krafft (1999). This method, adapted from Cravens et al. (1993), produces an index that reflects the predominant sales control approach (more outcome-based or more behavior-based) that the manager uses to govern h/her salesforce. The decision to utilize this method was due to the transaction cost argument that a control strategy be chosen based on the ability to monitor sales output and activities (e.g., reporting), the reward system in place (e.g., salary versus commission), and the ability to supervise salespeople (i.e., span of control) in order to prevent opportunistic behavior. Three components were used to compute this index: 1) the information and measures that managers use to evaluate their salespeople, 2) the percentage of salesperson compensation that comes from salary, and 3) the number of salespeople reporting to the manager (i.e., span of control). Upon converting these measures to z-scores, they were averaged to compute the overall sales control index for the sales manager sample. This scale depicted more outcome-based control by negative values and more behavior-based control by positive values. For a more detailed description of this sales control index computation, see Krafft (1999).

*Salesperson firm specific expertise* was measured using an adaptation of one set of scales developed by Behrman and Perreault (1982) in their study of salesperson performance. Each sales manager was asked questions pertaining to his perception of each salesperson's proficiency in areas relative to their understanding company products, applications, and technologies, and the ability to function as a subject matter expert. The overall level of salesperson firm specific expertise was computed as the average of the individual items.

The *goal congruence* scale was adapted from Jap's (1999) study. Managers were asked to identify their level of disagreement/agreement with three statements pertaining to the degree to which the sales manager and salesperson's goals and objectives are aligned. Goal congruence for each salesperson was computed by averaging the scores of the individual items. A high score indicated that the sales manager perceived that s/he and the salesperson had congruent goals. The Cronbach's alphas for all measures exceeded 0.70 (see Table 2) thereby demonstrating acceptable levels of internal consistency (Nunnally 1978).

### Validation of Measures

Descriptive statistics, correlations, and reliability measures for the variables in this study are identified in Table 2. Convergent validity of the independent variable measures was confirmed by computing the average variance extracted (AVE). All AVE values exceeded the 0.50 limit recommended by Fornell and Larker (1981) and had significant loadings on their corresponding constructs. We also tested for discriminant validity by confirming that no single item loaded more highly on another construct than it did on the construct it was intended to measure (Fornell and Larker 1981). Fit statistics from a confirmatory factor analysis (CFA) established an acceptable fitting measurement model. Finally, all variables in the model were tested for excessive skewness and kurtosis by comparing the z-score equivalent of each variable to ± 2.58 for a 0.01 level test (Avlonitis and (Panagopoulos 2006).

Table 2

Descriptive Statistics, Correlations Among Variables, and Reliability Estimates

| **Construct** | **1** | **2** | **3** | **4** |
|---|---|---|---|---|
| 1 Managerial Trust | (.87) | | | |
| 2 Sales Control Index (z-score) | 0.04 | 1 | | |
| 3 Salesperson Firm Specific Expertise | 0.40** | -0.02 | (.84) | |
| 4 Goal Congruence | 0.59** | 0.03 | 0.45** | (.77) |
| | | | | |
| Mean | 5.80 | 0.00 | 5.43 | 5.35 |
| Standard Deviation | 1.14 | 0.60 | 1.15 | 1.33 |
| Avg. Variance Extracted (AVE) | | | .57 | .59 |
| | | | | |
| **Mean (std. dev.) at various stages of SP-SM relationship tenure** | | | | |
| Mean (std dev.) - "beginning stage" (0 – 1.79 years) | 5.46 (1.32) | -0.01 (0.67) | 5.29 (1.26) | 5.32 (1.30) |
| Mean (std dev) – "developing stage" (1.80- 3.57 years) | 5.82 (0.95) | -0.05 (0.41) | 5.34 (1.11) | 5.34 (1.32) |
| Mean (std dev) - "advanced stage" (3.58 years +) | 6.08 (1.11) | -0.10 (0.68) | 5.71 (1.08) | 5.32 (1.31) |
| | | | | |

N = 296 salespeople reported by 100 sales manager respondents.

* Correlation is significant at the 0.05 level (2-tailed).

**Correlation is significant at the 0.01 level (2-tailed).

Cronbach's alpha reliability scores are reported in parentheses along the diagonal

***Analysis***

Prior to our analysis, all variables were mean-centered. No unreasonably large correlations were observed between any of the independent variables in our model and the largest variance inflation factor (VIF) was 1.99 (for the *goal congruence* variable), therefore multicollinearity did not appear to be a problem (Neter et al. 1996).

Three separate OLS regression models were run and illustrated in Table 3. In each model, a sub-sample was used by splitting the entire sample (100 managers reporting on 296 salespeople[1]) into three equal portions based on an N-tile ranking of the tenure of the relationship between manager and salesperson. Based on this sample split, Model 1 (relationship tenure < 1.80 years; n=34 managers, reporting on 99 salespeople) tests the hypothesized relationship between *sales control* and *trust* ($H_1$) as expected in the "beginning stage of manager – salesperson relationship". Model 2 (relationship tenure ≥ 1.80 and < 3.58 years; n=33 managers reporting on 98 salespeople) investigates the relationships of trust to salesperson *firm specific expertise* ($H_{2a}$) and *sales control* ($H_{2b}$) in the "developing stage of the manager – salesperson relationship". Model 3 (relationship tenure ≥ 3.58; n=33 managers reporting on 98 salespeople) tests the relationships between trust and *goal congruence* ($H_{3a}$), *firm specific expertise* ($H_{3b}$), and *sales control* ($H_{3c}$) during the "advanced stage of the manager – salesperson relationship". Since each hypothesis is directional, a single-tailed test of significance is used. To illustrate the total variance (of managerial trust) explained, each model reports R-squared values and beta coefficients for all three independent variables.

## RESULTS

Table 2 illustrates descriptive statistics, correlations among the variables, and reliability measures. The mean and standard deviation of each variable for each of the three stages of the manager – salesperson relationship is also displayed. These results show that *managerial trust* increases as the relationship between manager and salesperson matures (mean = 5.46, 5.82, 6.08) as does salesperson *firm specific expertise* (mean = 5.29, 5.34, 5.71). The mean value of *goal congruence* over time is relatively constant (mean = 5.32, 5.34, 5.32) while sales control becomes progressively more outcome-based (mean =-0.01, -0.05, -0.10). Thus, the progression of the means for managerial trust, salesperson expertise, and managerial use of outcome-based control support our hypotheses. Unexpectedly, the means for goal congruence remained relatively constant over the three relationship developmental stages. We suspect that this may be due to the nature of the actual goals (e.g., activity goals versus output goals) that are set by the manager for the salesperson during each relationship stage.

The results of the regression models used to test the impact of our variables of interest on managerial trust are shown in Table 3. Model 1 ("beginning stage of the manager – salesperson relationship") explained 32 percent (R-squared = 0.32; adjusted R-squared = 0.30) of the total variance in managerial trust and reveals a significant and positive relationship between *sales control* and *managerial trust* ($b = 0.21$, $p < 0.05$). Since sales control is an index with positive (negative) values being indicative of behavior-based (outcome-based)

[1]Four salespeople were removed from the sample due to missing data values

sales control (Krafft 1999) these results show support for $H_1$. Model 2 ("developing stage of the manager – salesperson relationship") explained 47 percent (R-squared = 0.47; adjusted R-squared = 0.45) of the total variance in managerial trust and reveals, in support of $H_{2a}$, that salesperson *firm specific expertise* has a positive and significant relationship to trust (b = 0.16, p < 0.05). Preliminary evidence supporting $H_{2b}$ was found. The impact of *sales control* on managerial trust was directionally correct (negative indicative of outcome-based sales control) and marginally significant (b = -0.11, p < 0.10). Model 3 ("advanced stage of manager – salesperson relationship") explains

Table 3

Regression Models of Managerial Trust in the Salesforce

**Trust**
**(During 3-stages of the manager-salesperson relationship)**

| Variables | Model 1 ($H_1$) "beginning stage" | Model 2 ($H2_a$, $H2_b$) "developing stage" | Model 3 ($H3_a$, $H3_b$, $H_{3c}$) "advanced stage" |
|---|---|---|---|
| Intercept | 0.00 | 0.00 | 0.00 |
| Sales Control | 0.21** | -0.11* | -0.02 |
| | (2.57) | (-1.33) | (-0.31) |
| SP Firm Specific Expertise | 0.07 | 0.16** | 0.33*** |
| | (0.75) | (1.72) | (3.05) |
| Goal Congruence btw SM and SP | 0.48*** | 0.58*** | 0.45*** |
| | (5.26) | (6.40) | (4.10) |
| F-value for Model | 13.35*** | 24.11*** | 29.08*** |
| R-square | 0.32 | 0.47 | 0.52 |
| Adjusted R-square | 0.30 | 0.45 | 0.50 |

*p < 0.10; **p < 0.05; ***p < .01 (single tailed significance test)

Model 1: N = 34 managers reporting on 100 salespeople

Model 2: N = 33 managers reporting on 98 salespeople

Model 3: N = 33 managers reporting on 98 salespeople

For each variable, the reported values are standardized betas with corresponding t-values in parenthesis.

52 percent of the variance of managerial trust. Consistent with our previous models, *goal congruence* has a positive and significant impact on *managerial trust* ($b = 0.45$, $p < 0.01$) which supports $H_{3a}$. Additionally, salesperson firm specific expertise is significant and has a stronger impact than in the previous relationship stages ($b = 0.33$, $p < 0.01$) and is supportive of $H_{3b}$. Testing the relationship of sales control and trust at this stage of the relationship revealed that although sales control was increasingly outcome-based ($b = -0.02$, $p = 0.21$), its effect on trust was not significant. Thus, $H_{3c}$ was not supported. One possible explanation for this is that in order for managerial trust to exist at this stage of the relationship, *some* behavior-based sales controls are required so that managers can be fully assured that customer needs are being met (i.e., salespeople are not just focused on making the sale without appropriate levels of post-sale customer support).

Overall, the empirical findings from our three-stage model provide support for five of our six hypothesized relationships. In summary, our results suggest that *managerial trust* can develop by using *behavior-based sales control* to govern salespeople ($H_1$). Salesperson *firm specific expertise* developed through the capability component of behavior-based sales control has the effect of increasing managerial trust ($H_{2a}$) at which point sales control becomes more outcome-based ($H_{2b}$). Furthermore, trust may be enhanced as the manager and salesperson develop *goal congruence* by working more closely together and by sharing information about sales opportunities ($H_{3a}$) while the salesperson continues to develop h/her *firm specific expertise* ($H_{3b}$).

## DISCUSSION & MANAGERIAL IMPLICATIONS

In this study, we proposed and tested a theoretical link between sales control and managerial trust in a salesforce setting. Our findings suggest that sales managers' use of behavior-based sales control (via its capability control component) provides a foundation for salesperson firm specific expertise and congruent goals to develop. The resulting fundamental change that takes place between the manager and the salesperson (from prevention of opportunism to working together to accomplish joint goals) continually enhances managerial trust as the relationship between the two matures. As the relationship between manager and salesperson matures managerial confidence in the salesperson's reliability increases. This resulting trust seems to stem in part from the increase in the salesperson's *firm specific expertise* over time. As the relationship develops, *sales control* becomes progressively more outcome-based which is indicative of the manager's willingness to ease up on the close supervision and monitoring that is deemed necessary when the relationship is new.

Unexpectedly, the mean value of *goal congruence* over time remains relatively constant. This suggests that it may not be the *level* of goal congruence that is important in the development of managerial trust rather the *type* of goals that are in alignment (e.g., sales activity versus sales output goals). For example, at early stages of the relationship, a manager may require a salesperson to make a specified number of sales calls (regardless of the outcome). The primary purpose of this is to establish the behavioral practice and skill development in customer rapport building and needs identification. In later stages of the relationship, the goals set by the manager are geared more toward the production of sales output (e.g., making sales) because at this point, the salesperson has the skills necessary to close business.

Our results suggest to a manager that in the "beginning stage" of their relationship with a salesperson trust is low and using sales control that is behavior-based can prevent opportunism. This allows the manager the opportunity to engage the salesperson in activities designed to develop h/her skills and capabilities. As the manager – salesperson relationship continues to develop a reorientation in the sales manager-salesperson relationship occurs as the salesperson becomes less reliant on the sales manager for direction and begins to make h/her own decisions. Both parties recognize that the investment made to develop the salesperson's skill and expertise will begin to have a direct impact on bottom line sales results and the sales manager can utilize outcome-based controls to increase h/her own efficiencies (i.e., less direct supervision and monitoring is required). When this occurs, managerial trust in the salesperson increases because of the existing confidence that the salesperson will use their expertise to make sales that are congruent with organizational goals and objectives.

Similar to Model 1, goal congruence was significant to managerial trust. However, since the mean of goal congruence at this "developing" relationship stage (mean = 5.34) is not significantly different from the mean in the previous "beginning" stage (mean = 5.32), it is possible that congruent goals in developing sales manager–salesperson relationships are based on the production of sales output rather than goals based on sales activities/behaviors. Now that the salesperson has developed skills and capabilities, the focus (for both salesperson and manager) has shifted to production of sales revenue, units, and profit margin – all which serve to fulfill the financial goals of the manager and the quota goals (resulting in higher financial rewards) of the salesperson. This results in a "win-win" situation to be established so that when these goals are met, both the salesperson and the manager benefit.

In the "advanced stage", more information about customer needs and available firm resources will be shared between the manager and salesperson (e.g., improving their ability to find successful ways to use firm resources to meet customer needs). As a result, the goals of the manager and the salesperson become more congruent providing the basis for increased cooperation, information exchange, and unity (Telser 1980). Similar to goal congruence, due to the additional experience and incremental skills acquired by the salesperson, the level of firm specific expertise should continue to grow in this stage of the relationship. Increased level of expertise contributes to an increase in managerial trust as the salesperson becomes more confident in the salesperson's ability to present the right product solution and service to the customer.

Although sales control at this "advanced" relationship stage was (as predicted) more outcome-based than in previous stages its impact on managerial trust was not significant as predicted in $H_{3c}$. One possible explanation for this is that managers may need some assurance that customers' needs are being met *after* the sale is made regardless of the salesperson's experience and skills. The tendency for a highly expert salesperson focused on sales outcomes may be to neglect the customer's need for post-sale support. This may cause the manager some concern (e.g., for repeat business and customer relationship building) and as a result, s/he may choose to use a more balanced mix of behavior-based *and* outcome-based sales control. Thus, the effect of sales control on managerial trust at this relationship stage is not as clear as in previous stages (see Models 1 and 2). Overall, our three models do a reasonably good job of explaining managerial trust as we show support for the majority of our hypotheses.

Our study provides a relatively new contribution to salesforce management literature by presenting a theoretical argument linking salesforce governance to the development of managerial trust. This is important since we show that a manager's willingness to trust a salesperson stems, in part, from h/her choice(s) of sales governance, some that are more productive in engendering trust than others. In addition, in contrast to much of the existing sales literature which focuses on the *salesperson's* trust in the sales manager (see Atuahene-Gima and Li 2002; Brashear, Boles, and Brooks 2003; Brashear, Manolis, and Brooks 2003; Choi, Dixon, and Jung 2005), our study examines trust from the sales manager's perspective. For sales managers, we answer the question, "…how can a manager utilize sales control to develop trust in h/her salesforce?" Our results suggest that one of the ways is by adjusting the sales control strategy based on the stage of the manager's relationship with a salesperson.

## CONCLUSION

The purpose of this study was to propose and test a theoretical link between sales control and the development of managerial trust in salespeople. To do this, we suggested that specific forms of governance may serve to create interdependencies between manager and salesperson so that a win/win condition is established between them. We found that at various stages of the manager – salesperson relationship, managerial trust is dependent upon the type of sales control strategy that was used. Furthermore, sales control played a role in the development of trust building factors (such as salesperson firm specific expertise and goal congruence) that managers used to assign higher levels of trust to salespeople. We hope that this study acts as a stepping-stone for future managerial research in the sales area. Managers are continually seeking strategies that will result in higher firm performance and one way is through the effective use of sales control balanced with appropriate levels of trust in the salesperson. There are, however, several limitations in our study.

A key limitation stems from our use of a single control index to measure sales control. While we used a well-established measurement for sales control based on its application to the theoretical framework of transaction cost analysis (Krafft 1999), other additional measures could be used in future research (see

Brashear, Manolis, and Brooks 2005) to provide a clearer interpretation of when the sales manager is using sales control that is behavior-based, outcome-based, or a mix of both. Furthermore, by using Jap's (1999) measure of goal congruence, we were restricted to looking at the construct from a general perspective. In future studies, goal congruence could be more specifically identified as to whether the goals being measured are sales behaviors (e.g., sales inputs such as making sales calls, making sales presentations, etc.) or sales outcomes (e.g., sales output such as production of revenue, profits, etc.). This would allow researchers to better identify the specific types of goals that are important at each of the three stages of relationship development. Another limitation of this study involves its cross-sectional nature; future studies may employ a longitudinal study in order to better evaluate the development of managerial trust over time. Finally, though our model explains up to 52 percent of the total variance in managerial trust, we recognize that other factors may also play an important role in trust development and should be considered in future studies.

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## APPENDIX

**Sales Control Index** – component 1 (Source: Adapted from Krafft 1999) *(Check all the boxes that apply)*

*What are the measures that you use to evaluate your salespeople?*

- □ Number of sales calls [b]
- □ Qualitative/skill based aspects of selling (e.g., product knowledge, presentation skills, etc..) [b]
- □ Servicing of customers (e.g., customer satisfaction) [b]
- □ Performance (sales units & volume) [a]

*What kind of information do you receive from your salespeople?*

- □ Number of sales calls [b]
- □ Sales in units and volume [a]
- □ Sales promotion skills [b]
- □ Knowledge/activities of competitors [b]

[a] item indicative of outcome-based sales control [b] item indicative of behavior-based sales control

**Sales Control Index** – component 2 (Source: Krafft 1999)

Approximately what percentage of your salespeople's cash compensation comes from fixed salary? ______ %

**Sales Control Index** – component 3 (Source: Krafft 1999)

How many salespeople report directly to you? ____

**Managerial Trust Items**: (Source: Adapted from Zaheer, McEvily, and Perrone 1998; Cronbach's alpha = .87)

*(7-point Likert scale anchored by 1="strongly disagree" to 7 = "strongly agree").*

Each item asked relative to three manager identified salespeople.

1. *I trust this salesperson*
2. *This salesperson is trustworthy*
3. *I know how this salesperson is going to act*
4. *This salesperson can always be counted on to act as I expect*

**Firm Specific Expertise Items**: (Source:Adapted from Behrman and Perreault 1982; Cronbach's alpha = .84)

(7-point Likert scale anchored by 1="strongly disagree" to 7 = "strongly agree")

Each item asked relative to three manager identified salespeople.

1. *This salesperson knows the applications and functions of company products and services*
2. *This salesperson acts as a special resource to other departments that need assistance*
3. *This salesperson keeps abreast of company product, service, and technological developments*
4. *This salesperson when possible, troubleshoots problems and takes action to correct or prevent product/service misapplications and/or failures*

**Goal Congruence Items**: (Source: Adapted from Jap1999; Cronbach's alpha = .77)

*(7-point Likert scale anchored by 1="strongly disagree" to 7 = "strongly agree")*

Each item asked relative to three manager identified salespeople.

1. *This salesperson and I have different goals (reversed)*
2. *This salesperson and I have compatible goals*
3. *This salesperson and I support each other's objectives*