

**EXAMINING THE EXTENT OF BEHAVIOR-BASED SALES MANAGEMENT
CONTROL STRATEGY IN HOTEL INDUSTRY IN PENANG**

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CONTROL STRATEGY IN HOTEL INDUSTRY IN PENANG**

BY

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KAJIAN TAHAP STRATEGI KAWALAN PENGURUSAN PEMASARAN BERDASARKAN PERLAKUAN DALAM INDUSTRI HOTEL DI PULAU PINANG

ABSTRAK

Kajian ini bertujuan untuk mengkaji tahap strategi kawalan pengurusan pemasaran berdasarkan perlakuan terhadap prestasi dan kelakuan kakitangan jualan. Bagi tujuan kajian, hotel tiga dan lima bintang dipilih berdasarkan senarai Kementerian Pelancongan. Senarai hotel ini hadala hotel yang berdaftar dengan Kementerian Pelancongan di Pulau Pinang sehingga bulan September 2007. Sejumlah 110 kertas soal selidik diedarkan kepada kakitangan jualan hotel tersenarai. Angkubah yang dikaji adalah tahap strategi kawalan pengurusan pemasaran berdasarkan perlakuan, prestasi perlakuan dan perlakuan kakitangan jualan. Daripada kajian ini, didapati bahawa tahap strategi kawalan pengurusan pemasaran berdasarkan perlakuan mempunyai kaitan dan memberi kesan positif terhadap prestasi perlakuan kakitangan jualan, perlakuan kakitangan jualan.

EXAMINING THE EXTENT OF BEHAVIOR-BASED SALES MANAGEMENT CONTROL STRATEGY IN HOTEL INDUSTRY IN PENANG

ABSTRACT

This study aims to examine the extent of behavior-based sales management control strategy on salesperson behavioral performance and salesperson characteristics. For the purpose of the study, the three and five star hotels registered with the Ministry of Tourism are selected. The hotel list is based on registered hotel with Ministry of Tourism in Penang until September 2007. A total of 110 questionnaires were distributed to salesperson of these hotels. The variables of the study are behavior-based sales management control strategy, salesperson behavioral performance and salesperson characteristics. The study result found that behavior-based sales management control strategy has a great extent on salesperson behavioral performance, salesperson characteristics.

CHAPTER 1: INTRODUCTION

1.1. Introduction

The rapid advancement of business and intense business competition have made the business organizations emphasized very much on cost and profit, efficient and effective business process and high performance. This phenomenon has forced organizations to impose various management control mechanisms to ensure that the organization strategies are implemented.

Anthony and Govindarajan (2001) define management control as the process by which managers influence other members of the organization to implement the organization's strategies. Salesperson played important role in driving revenues and profits in business organizations. However, the cost of sales must be justifiable with high sales performance. Therefore, many business organizations focused a lot of efforts to manage and enhance mechanism to manage its sales unit and measure salespersons' performance. These factors have made sales management an important component of organization management.

Stanton, Buskirk and Spiro, (1991) define sales management as the management of the personnel-selling component of an organization's marketing program. Sales management control strategy is the process of integrating management and control system of sales resources and task towards achieving the sales objective of the organization. According to Merchant, (1997)

strategy is how organizations should use their resources to meet their objectives and well-conceived strategies which result from analyzing the organization's strength and weaknesses in its marketplaces, guide managers in directing and controlling their organizations.

Jaworski, Stathakopoulos and Krishnan, (1993) defined control as attempts by managers or other stakeholders within the SBU to influence the behavior and activities of marketing personnel to achieve desired outcomes. Anderson and Oliver, (1987) categorized sales management control into behavior-based control and outcome-based control. They elaborate that in behavior-based control systems, salespeople are monitored more closely, subject to considerable direction, evaluated on input basis by subjective and more complex measures and rewarded with a higher proportion of fixed compensation. Whereas in outcome-based control systems, salespeople are monitored less frequently, offered little direction, evaluated on outcome measures by objective and simple methods and rewarded with a higher proportion of incentive (variable) compensation.

Baldauf, Cravens and Piercy, (2001) define sales management control strategy as employing behavior-based control as monitoring input, exercise close control over salespeople, evaluate inputs and used fixed salary to compensate salespeople. Outcome-based control is the opposite. In this study the focus of salesperson performance is behavioral performance. Behavioral performance is studying the salesperson's technical knowledge, adaptive selling, teamwork, sales presentation, sales planning and sales support. Salesperson characteristics refer to the positive and improved character of salesperson affects/attitudes, cognitions/capabilities,

intrinsic and recognition motivation and behavioral strategy. According to Oliver and Anderson, (1995) performance evaluation on inputs is necessarily more subjective because the manager must decide if and to what degree inputs generates outcome.

Sales management control strategy is a challenging process of managing sales unit especially field salesperson. Field salesperson is normally mobile with flexible working schedule and hours, thus requires effective control mechanism. Sales management control is a mechanism used in monitoring activity, directing, evaluating and rewarding salesperson. Sales management control strategy in organization may focus on salesperson behavior, salesperson outcomes or a combination of both behavior and outcome to ensure salesperson act and perform in the best interest of the organization.

Management control is a subject that has attracted both management practitioners and scholars. As a manager in-charge of a team of indoor and outdoor sales, the subject is important to me to especially to sought and understand the consequences of control strategy on salesperson performance, salesperson characteristics and organizational performance. Thus, it will help to determine appropriate control strategy in managing salesperson. Previous empirical literatures have approach the subject matter from various perspectives and have generated many propositions, frameworks and models. Hence, there are sufficient literatures in management control strategy by established researcher available as a basis for reference and foundation to support this study. However, there are not many studies specifically study the subject matter in hotel industry in Malaysia.

This study aims to gain insights into the extent of behavior-based sales management control strategy on salesperson behavioral performance and salesperson characteristics in the hotel industry. The study will be conducted in Penang state in the northern region of Peninsular of Malaysia. Hotel sales are a dynamic and rewarding field that can stay exciting over a long career. According to McNeill and Crotts, (2006) hotel sales and catering sales are focused on selling blocks of rooms or catered functions to buyers who are typically other business, not individuals (the B2B or business-to-business relationship). As previously mentioned, selling to organizational buyers involves sales not to the ultimate guest or visitor but to other business such as meeting and event planners, tour wholesalers, incentive travel houses and corporate travel offices. The increase in cost especially those related to sales and intense market competition had caused dilemma. Sales organization such as hotel imposed mechanism to control the cost and profitability. Among the common questions asked; what is the extent of behavior-based sales management control strategy on salesperson performance and characteristics.

1.2. Problem Statement

Salespeople are mobile employee or sales representatives. They are expected to travel within the designated sales territories to do their sales activities. Sales people are working at flexible working hours and schedule. Sales people are required to plan and execute the sales on daily basis and they spent most of their working hours in the field. However, the nature of the relationship between the hotel management and sales people (principal/agent) is the source of

concern. The hotel management (principal) is concerned on their hotel target and objectives of profitability, market share and sales volumes. Salespeople are working person is concern on their income and personal objectives and interest. As such the hotel management is concern that the salespeople is not performing the task towards achieving the organization's objectives. Hence, it is important to examine this conceptual relationship and understand the common behavior-based sales management control mechanism used in the industry in order to managed and control salespeople's activities to ensure they act in the interest of the organization.

Tourism is an important industry in Penang. In 2005, the state received 1.14 million tourists. Hence, hotel industry is important industry that contributed to the state in terms of employment, income and etc. The state has 64 registered hotels based on Ministry of Tourism List in September 2007. The hotels are ranged from one to five stars hotel. According to Ministry of Tourism hotels guest by locality statistics from January to September, 2007 Penang recorded 4,617,100 hotel guests with 2,411,748 local guests and 2,205,352 foreign guests. January to December 2006, a total of 4,688,508 hotel guest was recorded with 2,562,978 are local guest and 2,125,526 are foreign guest. In March 2008, Ministry of Tourism statistics shows that a total of 102 hotels with 65 hotels already categorized with star ratings and the balance is yet to be rated. Most of the hotels are resort hotel based in Batu Ferringhi area. The size of the hotel market in Penang has resulted in a stiffed competition among them.

Hotel industry offer a similar product and services with low product variation. This has created a highly competitive market. In order to compete in a competitive market, the

hotel salesperson needs to be highly competitive and skillful. Penang based hotels salesperson has to cover a bigger sales territory up to the northern part of the peninsular, Perlis and Kedah. The salespeople have to travel a lot and cover a greater distance for the sales activities. As in competing in the national tourism market, hotel sales people have to work closely with travel agents and agents nationwide. This has resulted in higher salesperson claims of travel cost and mobility.

1.3. Research Objectives

There are three main objectives of this research. The objectives are;

- i. to examine the composition of salespeople in the hotel industry in Penang
- ii. to examine the extent of behavior-based sales management control strategy on salesperson performance in the hotel industry in Penang
- iii). to examine the extent of behavior-based sales management control strategy on salesperson characteristics in the hotel industry in Penang

A study conducted by Baldauf, Cravens and Piercy (2001) in Austria and the UK proposed that salespeople working under high behavior-based control displayed higher behavioral performance (product knowledge, adaptive selling, teamwork, sales planning, sales presentation and sales support). Besides, their proposition also indicated that salesperson characteristics (affect/attitudes, motivation, cognitions/capabilities and behavioral strategy) are all positively related to behavior-based control strategy. The positive relationship between sales management

control strategy, salesperson performance and salesperson characteristics as indicated by Baldauf, Cravens and Piercy, (2001) has significantly contributed to the study of management control in the field of sales management.

Salesperson performance is important factor in sales organization business process that sales organization measures. Salesperson performance comprises of behavioral and outcome dimensions, (Baldauf and Cravens, 2002). Behavioral performance is measured by how well salesperson performs the sales activity. In their literature; Baldauf and Cravens (2002), stated that behavioral performance indicates how well salespeople perform various activities when carrying out their job responsibilities. The activities that comprise behavior performance include the use of technical knowledge, adaptive selling, teamwork, making sales presentations, sales planning, and sales support.

1.4. Research Questions

The research attempt to answer the following questions:

- i). what is the composition of the sales force in the hospitality industry in Penang?
- ii). what are the extent of behavior-based sales management control strategy on salesperson performance?
- iii). what are the extent of behavior-based sales management control strategy on salesperson characteristics?

1.5. Definition of Key Terms

For the purpose of this study, key words are defined according to the context of this research. The following are the key terms used in the research:

Management control systems

Management control systems is a set of mechanism used by an organization to control and management their resources efficiently.

Salesperson behavioral performance

Salesperson behavioral performance is defined as indicates how well salespeople perform various sales activities when carrying out their job responsibilities. These results are measurable by the management in the form of behavioral results such as product knowledge, adaptive selling, teamwork, sales planning, sales presentation and sales support

Sales management control strategy

Sales management control strategy is defined as a strategy used by the sales organization in managing their salespeople's performance. This strategy can be in the pure form of behavior-based and outcome-based or in the hybrid form which is a fair combination of both

Behavior-based control

It is a control mechanism that is used by sales organization to control the behavioral activities of the salespeople which includes monitoring, directing, evaluating and rewarding.

Salesperson characteristics

Salesperson characteristics is defined as the person's personal quality such as affects/attitudes, cognitions/capabilities, intrinsic motivation, recognition motivation and behavioral strategy.

According to Anderson and Oliver, (1987) personal characteristic is an important component of salesperson performance and it is conceptually linked to behavior-based control such as affects/attitudes, motivation, cognitions/capabilities and behavioral strategy.

1.6. Significance of Study

This research shall significantly contribute to the;

- i). enhanced the proposition of the original work on the extent of behavior-based sales management control strategy on salesperson performance and salesperson characteristics
- ii). model's utility as the it was replicated in hotel sales environment
- iii). widen the scope of the unit of analysis from field sales manager to salesperson
- iv). enhanced the original model's external reliability

It is believe that there are many factors that may affect the usage and application of control strategy such as market environmental factor, organizational factor, and etc. However, of recommending this or either of the more outcome or behavior oriented systems, as numerous idiosyncratic variables will moderate the effectiveness of any one control systems, (Oliver and Anderson, 1988). On this basis, it is hope that this study will be able to contribute to this particular area of concern and give indication on the appropriate type of control strategy to be used specifically in the hospitality industry in a multi-cultural environment in Penang.

1.7. Organization of Remaining Chapter

Chapter 2 will discuss on the reviews of previous literature on management control systems, sales management control strategy, salesperson performance, salesperson characteristics and organizational performance. This chapter will also discuss on the theoretical framework that underlying the study. Later part will be the hypotheses. Chapter 3 will discuss on the methodology adopted in this research and chapter 4 will discuss in details the result findings. Last but not least, chapter 5 is the discussion and conclusions.

CHAPTER 2: LITERATURE REVIEW

2.1. Introduction

This chapter contains reviews of previous literatures pertaining to sales management control strategy that forms the foundation of the study. Daft and Macintosh, (1984) raised a question on “How do managers control organization?” This is a challenging question that may require empirical research. Organizational control includes the activities used to achieve desired organizational goals and outcomes. Control activities are part of the basic structure and design of any organization, (Daft & Macintosh, 1984). Their research findings on the nature and use of formal control systems indicated two perspectives of management control system utilization. Firstly, organizational control cycle perspective, management control systems utilization are target setting, measuring and monitoring and corrective action to overcome performance deficiency. Secondly, from strategic perspective, management control systems may also entailed management rewards and coordination across departments to facilitate business level outcomes. Daft and Macintosh, (1984) outlined five inferences in their findings;

- i. The business level control process in most organizations uses six control components (strategic plan, long-range plan, budget, statistical reports, policies/procedures and performance appraisal)
- ii. The four formal control systems (budget, statistical report, performance appraisal and policies/procedures) used by departmental managers complement one another to help

managers execute the control cycle but the formal systems are not designed as a package

- iii. The first two stages in the control system cycle – target setting and measuring – received primary emphasis in formal management control systems
- iv. Management control systems are both financial and non-financial
- v. Management control relies heavily on the control of both departmental inputs and outputs.

The study of pure management control systems has progressively develops into a rich and complex subject. The subject of management control has been expanded from the macro interest of financial management, human resource management, organizational management and etc into micro subject of interest such as personnel performance, employee motivation, affect, attitude, gender, strategy and etc. Anderson and Oliver, (1987); study on control systems in the field of sales management and salesperson performance has open a new chapter in the study of management control systems. Their frame and findings on behavior-based and outcome-based sales control systems has formed integral foundation for later studies.

The study of control systems in the field of sales management strategy has developed over the year and many studies conducted in the 1990's and from year 2000 onwards. Among the studies are Jaworski, Stathakopoulos and Krishnan, (1993) examine the effect of simultaneous us of multiple control in marketing management suggest that high control is associated with highest job satisfaction and lowest level of person-role conflict and ambiguity ;

Cravens, Ingram and LaForge, (1993) examine the relationships between sales force control system, characteristics, performance and sales organization effectiveness indicated that there is positive relationship between sales force performance and control systems but not significant with characteristics and organization effectiveness; Oliver and Anderson, (1995); Challagalla and Shervani, (1996) examine the effect of dimension and type of supervisory control on salesperson performance and satisfaction suggested that all types of control (information, reward and punishment) improved salesperson's performance; Ramaswami, (1996) examine negative employee response based on the traditional and employee contingency theory indicates that marketing employee behave in dysfunctional ways when they are subject to both output and process control particularly when knowledge is low ; Stathakopoulos, (1996); study the effect of the control mechanism on key consequences found that a close supervision is required and the desired indicator must be specified; Piercy, Cravens and Morgan, (1998) study sales force performance and behavior-based management process in business-to-business sales organization found that there is strong relationship between the extent of behavior-based management control and salesperson performance; Jaworski, (1998) in their findings highlight that perhaps the most consistent findings in the area of controls is direct effect on organization unit. ; Darmon, (1998); study the effect of situational variable on sales force governance found that managers required more than one single control procedure; Kraft, (1999) study the impact of environment, company and salesperson characteristics on the design of sales force control systems concluded their findings on salesperson variables that control systems are more behavior-based the higher the minimum utility required by salesperson; DeCarlo, Rody and DeCarlo, (1999) examine the relationships of perpetual congruence of management behavior and its effects on salesperson job