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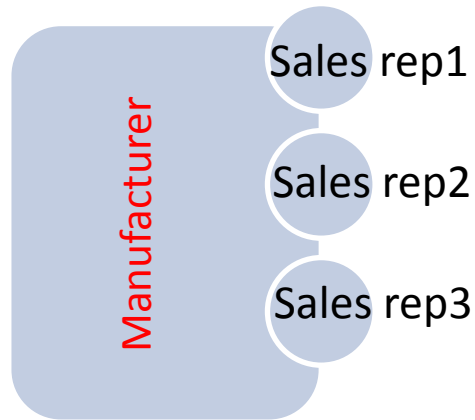
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# ***Governance of International Distributors through Incentive Travel Programmes: Insights from Manufacturing Enterprises***

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# Is distributor governance infamous or even bribery?

Direct sales channel:



Governance of manufacturers' own sales force:

- Monetary incentives
- Competitions
- Awards
- Prices (e.g. travel incentives)



Indirect sales channel:



Governance of distributors' sales force

- Competitions
- Awards (certifications)
- Monetary incentives - SPIFs
- Prices (e.g. travel incentives)
- Combinations



# Channel Incentive Travel Programmes - Definition

Channel incentive travel programmes are **travels** provided to **owners or employees** of the channel partner with the **aim to motivate** them to **improve** their **performance**. (Severt 2013)

# Literature review – Channel governance

- Discussed in diverse research logics:
  - > Behavioral research (e.g. Coughlan et al. 2006, 196), Economics (e.g. Grewal et al. 2013), Relational contracting (e.g. Zhou et al. 2015), Organization theory (e.g. Joshi 2009)
- Refers to the ways exchange is coordinated and the processes and mechanisms in place to manage business relationships in order to finally reach one's own and common goals (Homburg et al. 2009).
- Heide's (1994) two-dimensional approach intensively discussed and used:

## **Unilateral governance:**

- One party establishes mainly formal rules that control the business relationship (Gilliand, Bello, and Gundlach 2010).
- Emphasis on information aspect of performance (Nevin 1995).
- Output- and behaviour control (Grewal et al. 2013).

## **Bilateral governance:**

- Founded on shared understandings and mutual trust (Weitz und Jap 1995) .
- Guided through social ties (Gilliand, Bello, and Gundlach 2010). Distributors themselves set actions leading to positive outcomes for the supplier (Huang, Cheng, and Tseng 2014).
- Typical characteristics: Participation and flexibility (Luo et al. 2011).

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- Gilliland (2003) categorizes **incentive travel** as a form of **unilateral control** in order to influence a distributor's outcome through instrumental rewards. Monitoring is not necessary!

## QUESTIONS:

- Is this categorization always consistent?
- Does the design of ITP influence its governance character?

# Purpose and research questions

## Purpose:

- Literature review about the incentive programmes.
- Elaboration of the elementary design facets of incentive travel programmes and the derived governance character.
- Importance of cultural aspects when designing and implementing incentive travel programmes

## Research questions:

- How can incentive travel programmes be designed to achieve different effect mechanisms of governance?
- Which country or culturally specific aspects should be considered when designing and implementing incentive travel programmes?

# Methodology – empirical investigation

- Qualitative approach through expert interviews for this explorative-descriptive investigation
- Five experts were selected and interviewed about their experience and use of incentive travel programmes. Additionally, managers of a further eight companies which deliberately do not use incentive travel were interviewed as well to get insights about possible obstacles.
- Key informants: Managing directors, heads of marketing and heads of sales.
- Non-probabilistic sample: All companies investigated are Austrian, mainly family owned and small or medium-sized – operating mainly in the engineering sector.
- Data collection: face-to-face interviews (only one interview via phone) – in the period from April to May 2011.
- Semi-structured interviews in the mother tongue

# Findings – design elements of ITP:

Major design element	Characteristics
(Jeffrey 2014; Fenich et al. 2015; Kovalesky 2006; Fisher 2005; Severt 2013; Dacin, Ford, and Murphy 2004; Jeffrey, Dickinson, and Einarsson 2013)	
(1) Target audience within the distributorship	<ul style="list-style-type: none"> <li>- Management or sales force</li> <li>- Individuals or groups</li> </ul>
(2) Format of the programme and performance measurement	<ul style="list-style-type: none"> <li>- Competitive or recognition/award without ex-ante competition</li> </ul>
(3) Reward composition	<ul style="list-style-type: none"> <li>- One-size-fits-all- vs. customized approach</li> <li>- Feasibility (time, security), destination and programme</li> </ul>
(4) Involvement of and communication to the distributor	<ul style="list-style-type: none"> <li>- Decision making and announcement to distributor</li> </ul>
(5) Post-execution actions	<ul style="list-style-type: none"> <li>- Provision of physical reminders (souvenirs, photos, ...) to support positive WOM</li> </ul>

# Design used by Austrian companies

Major design element	Characteristics
(1) Target audience within the distributorship	<p>Predominantly Sales force:</p> <ul style="list-style-type: none"> <li>- Direct contact to end-customers</li> <li>- <b><i>Lead to desired objectives</i></b></li> </ul>
(2) Format of the programme and performance measurement	<p>Competitive: Output AND <b>behavior-based</b> measurement because view instrument as means to reach <b>long-term results</b></p>
(3) Reward composition	<p>Customized approach: (most companies)</p> <ul style="list-style-type: none"> <li>- Travel + work related activities</li> <li>- Accompanied by own sales people in order to provide a <b>common positive experience</b></li> </ul>
(4) Involvement of and communication to the distributor	<ul style="list-style-type: none"> <li>- No official announcement but communication as personal invitation <b>appealing to (common) values.</b></li> <li>- Some <b>decide together</b> with distributor about programme</li> <li>- Some <b>actively involve</b> participants in decision-making process</li> </ul>
(5) Post-execution actions	<ul style="list-style-type: none"> <li>- No artifacts</li> <li>- Lack of professionalism (no agencies, time, frequency of use, complicate regulations, ...)???</li> </ul>

# Findings – governance characteristics

- Purpose and aims of ITP emphasised by the enterprises:
  - > to build up commitment and relationship – especially with the distributors' sales force – through personal interactions in a relaxed and informal surrounding
  - > to intensify the personal contact during the journey.
  - > to gather information about market trends and establish trust
  - > An increase in sales is just seen as a positive side effect rather than the primary goal!
- ⇒ **BILATERAL governance mechanism (relational or social governance)**
- Arguments of companies which deliberately do NOT use ITP:
  - > ITPs are mainly a tool to increase motivation in the short run and not for improving the relationship or intensifying the personal contact.
  - > more appropriate for other industries, such as the insurance sector and not their own.

# Findings – cultural specific aspects

- Incentives are strongly dependent on culture Gunkel (2006).
- When designing ITPs suppliers have to also take into consideration the country or culture the incentive is dedicated to.
- All informants emphasise the importance of culturally specific influences on the design of ITPs - especially on the “target audience”, “format of the programme”, “reward composition” and the “involvement of the distributor”.
- Some selected examples of the experience of the companies:
  - > Indians love to do everything in big groups.
  - > Competitive formats with a stress on prestige are particularly successful in the US and in Eastern European countries.
  - > Arabic countries are often not attracted by fun-themes (one respondent).
  - > Religious holidays (e.g. Easter, month of Ramadan, etc.) have to be considered when composing a feasible travel programme.
  - > No common thread through all interviews about destination, except that people are attracted by complementary, sometimes difficult to visit destinations.

## **HOWEVER:**

**Additional research needs to be done for better understanding culture-compatible designs of incentive travel programmes for distributors!**

# Managerial implications, limitations and further research possibilities

- Austrian companies do not make use of the full potential offered by ITPs (either because of no use at all or lack of professionalism)
- ITPs can be designed in a way that the bilateral governance characteristics are predominant. It is more a question of HOW incentive travel programmes are designed and used and not about their motivational character.
- When designing ITPs suppliers have to also take into consideration the country or culture the incentive is dedicated to. More research is needed in this field!
- Limitations and further research possibilities:
  - > Limited research about ITPs in literature.
  - > Findings from the qualitative research are not representative of a population - limited generalization of this research.
  - > Sample size is rather small – extension through additional studies in other other geographic and business areas (where ITPs are more common).

# THANK YOU!

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