Austrian sales partner management in CEE countries

Central and Eastern European (CEE) countries are perceived as attractive markets for expansion by their European neighbors. As European companies become increasingly international, so too does the challenge of coordinating global business operations. One success factor for competitive entry into CEE is effective sales partner management; thus, Austrian companies in the process of internationalization are challenged to establish and foster good relationships with their CEE sales partners.

Cumulating the experience of successful companies already active in CEE countries and discovering critical success factors are the overall aims of a Barometer Study started in 2007 by the department of Global Sales Management at the Upper Austrian University of Applied Sciences in Steyr. The longitudinal study covers important aspects before and during the process of internationalization, including typical patterns of information retrieval and analysis, decisive factors for the selection of target markets, implementation of marketing communications, relationship management with local partners and motivational aspects of sales staff in the Czech Republic, Slovakia, Hungary, Poland, Russia, Ukraine, Bulgaria, and Romania.

In this contribution, the way Austrian companies select, develop, and motivate their sales partners and sales force in CEE countries is investigated, contrasting findings from the 2007 and 2013 Barometer Study and general sales management trends. Moreover, findings from the Barometer Study are interpreted with the aim of providing managerial insight into the changing landscape of CEE markets and sales partner management therein.

Introduction

From 2000 until 2008, Austrian companies invested heavily into CEE countries. During the crisis, CEE countries were hit especially partly due to a significant decrease in foreign investment. Some countries fared better than others, namely Poland, the only European country to increase its GDP in 2009, followed by Czech Republic and Slovakia, which experienced GDP reductions of roughly 4% (Schuh 2012). In the wake of the financial crisis, investment is increasing again due to the returning confidence in and outlook of the region. Consequently, sophisticated tasks and production, including largely machinery, transport equipment, and automotive subcomponents, are increasingly being outsourced by European companies to the EU11 countries (Cuaresma et al. 2012).

Many Austrian companies realize the strategic importance of CEE countries, and according to the 2013 Barometer Study, 61% of surveyed Austrian businesses currently operating in Central and Eastern Europe intend to intensify their business activities in the next five years, and 42% would like to enter new foreign markets. In order to reach their objectives, sales staff and sales partners could play an important role. Moreover, findings from the Barometer Study (2007, 2013) indicate the significantly growing importance of sales partners and identify local partners and employees in the target country as the top sources of information about potential customers. Thus, Austrian companies will increasingly face the challenge of relying on sales partners in CEE countries, which
requires striking a balance between trust and control and effective cooperation.

1 Globalization’s impact on sales structure

In today’s market most companies, regardless of size, face the challenge of going international, as doing business globally has become a key component of continued success. Due in part to its location (Zehetner et al. 2008) and historic ties to CEE, Austria is one of the countries that have been most strongly affected by the opening of the CEE market (Huber 2003). Findings from the Barometer Study (2007, 2013) list the top reasons for market entry in CEE as ‘market potential’, ‘strategic importance’ and ‘market coverage’. Additionally, although some firms do not operate internationally, they are still affected by globalization due to the requirements of protecting their domestic market position (Baldauf and Lee 2011). Thus, expansion internationally in the B2B market is commonplace, and as a prerequisite to entering the target market, a decision for an applicable sales structure must be made.

A company’s entrance strategy is an important choice due to the relationship between a firm’s assets and the necessity for control and ownership (Lu 2002). Much research has been done on large companies’ market entrance mode choice, whereas little focus has been given to SMEs (Burgel and Murray 2000; Jones 1999). Moreover, since entry mode type strongly impacts SME performance, mode choice selection can have real implications for SMEs according to Lu and Beamish (2001). Companies looking to engage in global business operations can conduct international trade, enter into contractual modes of cooperation or invest in wholly- or joint-owned ventures (Meyer 2001). It is commonly known that while direct sales channels can offer more control from the organization’s perspective, indirect channels such as sales subsidiaries, distributors and agents inherently provide greater flexibility and faster access to the market. By using direct sales, an organization can ensure that its products are being promoted as it wishes, whereas, indirect sales provide a company with quicker growth potential and advanced knowledge of the market without investing its own limited resources. Findings from the Barometer Study (2007, 2013) support as well the notion that through local partners, better knowledge of the market can be gained.

The direct/indirect conundrum makes it difficult for firms to make a strategic decision for one, the other or a combination of the two; however, especially in the case of SMEs, the desire to be present in multiple markets and the constraints of limited financial as well as personnel resources tend to push companies towards less resource-intensive, non-equity modes of entry (Contractor 1984). In such a context, it can be argued that selecting the right sales partner becomes paramount when making the decision to enter the market indirectly. That being said wholly owned subsidiaries (WOS) are an attractive option especially when protecting the proprietary nature of SME innovations and knowhow (Meyer; Nakos and Brouthers, 2002). In either case, managers are often confronted with the difficulty of managing from afar.

1.1 Finding sales partners

Finding the right sales partner can be a difficult challenge as the reseller can have its own agenda which diverges from the manufacturer’s, resulting in unaligned goals, plans and control systems and weakened market performance (Hughes and Ahearne 2010). As in other regions, in CEE there is no one-size-fits-all approach to market entry due in part to the many different cultures of the region. Furthermore, while a tailored approach focuses on the prospective partner’s compatibility and relationship building, a generalized view of the region seems to neglect this business facet. This is supported by Berchtold, Pircher and Stadler (2010) who discuss the importance of local adaptation, cultural sensitivity and personal relationships for Austrian companies in the culturally diverse region of CEE. Risk perception of CEE seems to play a role for Austrian companies in deciding a sales structure. Some firms emphasize prudence by starting out slowly through exports and only later move on to FDI, whereas companies wishing to capitalize on growth opportunities are quicker in
creating partnerships with their CEE counterparts (Schuh 2012). It appears the challenge for Austrian companies with the intent to enter or expand into the CEE market is first to find the right sales structure based on factors mentioned previously and subsequently to focus strongly on finding the ‘right’ sales partner.

1.2 Developing and motivating sales partners

In addition to sales partners’ selection, their development and motivation can also play an important role in a company’s success. In this respect, a fitting leadership style and cooperation are vital since sales intermediaries’ and partners’ perceptions of top management affect motivation. Top management can convey this by adopting servant leadership and executing policies that build trust through long-term orientation (Chakrabarty and Brown and Widing 2012). According to Plank et al. (1999) there is not an exact agreement on a definition of trust; however, it is generally accepted that developing trust in selling environments is necessary for long-term sales success. Furthermore, trust can be an integral component of relationship building and cooperative success between the importer and exporter, as exporting in itself comprises more than economic transactions, i.e. exchanging money for goods; it builds upon complex behavioral interactions, which involve the interchange of social elements, information and other intangibles and require interdependencies between the partners’ expertise, knowledge and resources to improve efficiencies in business dealings (Leonidou 2006). There is a “high relevance of establishing and maintaining business relationships and contacts in the CEE region” (Zehetner et al. 2008) and with so many acting variables contributing to sales complexity, it becomes clearer why additional research in this field is warranted.

It has been well researched that sales partners and sales personnel can be motivated extrinsically or intrinsically. Staw (1977) believes that intrinsic motivation concerns the pleasure derived from or the value of an activity itself, where extrinsic motivation refers to the value placed on the action’s results. In a sales context, the impact of these motivational types has been inconsistent (Ingram and Lee and Skinner 1989). This inconsistency can lead to vague managerial understanding of what managers can to do motivate their sales staff and sales partners. As pointed out by Zehetner and Wiesinger (2008), although doing business in CEE is seen as pioneering and highly unique for Austrian companies, human resources relevant topics like sales personnel motivation and recognition deserve more consideration. In the context of this work, both intrinsic and extrinsic motivational factors are taken into account and contrasted with the results of the Barometer Study to examine the changing trend since the crisis and finally offer managerial insight on the topic.

As Baldauf and Lee (2011) point out, there has been little research on international topics in sales and sales management, and “there is no uniform understanding of what international selling and sales management is all about” (p. 216). Consequently, the authors would like to propose the following research questions to expand on this issue from an Austrian perspective operating in CEE countries with a special emphasis on general business development by contrasting findings from before and after the global financial crisis of 2008 and the subsequent economic downturn:

Q1: How do Austrian companies select, develop and motivate their sales partners and sales force in CEE countries?
Q2: How has cooperation between Austrians and their CEE sales partners changed since the crisis?

2 Methodology

The methodology of this paper is comprised of a literature review in order to develop the two research questions. This builds on and refers to data from a quantitative Barometer Study, which was conducted through personal in-depth interviews with Austrian B2B Marketing and Sales CEE-managers in 2007 and 2013.
The sampling frame entailed company listings from various (Austrian) business databases (mainly in Hoppenstedt). A list of 30-100 companies for each country was compiled by selecting Austrian companies with indicated activities in at least one of the eight CEE markets. Quota sampling was used to select interviewees with adequate experience in marketing and sales in the relevant markets, resulting in 244 telephone interviews with Austrian sales and marketing representatives, which mean approximately 30 interviews with a country focus (Czech Republic, Slovakia, Hungary, Poland, Russia, Ukraine, Bulgaria and Romania). In order to gain insight about the main issues and the most critical facets of Austrian business activities in CEE countries, the questionnaire was developed on the basis of existing literature and five expert interviews with international sales managers. Following a pre-test, the preliminary questionnaire design was decided. In 2007 and 2013, the chosen companies were contacted by telephone to identify marketing/sales managers responsible for the selected country markets. The company representatives were then given a questionnaire in advance; therefore, preparation was possible before the telephone interview was conducted.

3 Results of the Barometer study

One of the intrinsic merits of the Barometer Study (2007, 2013) is that it can help to illustrate the effects of the crisis on Austrian companies operating in CEE countries by examining the business landscape in 2007 and 2013. In this regard the authors would like to contrast the findings to project a general trend in sales management as seen through the Austrian lens and to better understand the impact the crisis has had on sales partner management. The results of the study indicate that there have been significant developments in the area of sales partner management. Additionally, by answering the research questions presented, a better understanding of relationship dynamics of Austrian companies present in CEE countries is reached.

3.1 Barometer study findings of sales partner management in CEE

The question (Q1) of how Austrian companies select, develop and motivate their sales partners and sales force in CEE countries is posed to examine recent developments in Austrian sales partner management in CEE. This is relevant because, as indicated in the Study’s findings, one major benefit of sales partners in the target country is that they are perceived as the greatest source of information about potential customers.

The results of the Barometer Study suggest a greater emphasis is being placed on the acquisition and release of sales partners. Contrasting findings from 2007 and 2013, 244 Austrian companies were questioned the importance of selected business topics in the next five years. Pertaining to sales management, there have been two significant changes since 2007: Firstly, there was a 23% increase in the importance of ‘sales partner selection’, which, according to the study, is done predominantly through ‘personal’ and ‘employee contacts’. Moreover, the period from 2007 to 2013 saw a 40% rise in the emphasis put on ‘discontinuing operations with weak sales partners’. This development highlights the strategic importance for Austrian companies of doing business with the ‘right’ partners in CEE and signifies this will be a relevant topic in future.

In connection to doing business with the ‘right’ partners, the findings show that once acquired, sales partner development and motivation are perceived as crucial elements of business success. In the development of CEE sales partners, a fundamental shift may be taking place towards more local autonomy. The findings show that emphasis placed on ‘sales training at the Austrian headquarters’ remained unchanged, and with an index score of 72, Austrian companies perceive this as a meaningful way to help steer sales partners; however, there was a strong increase in ‘involving local management in strategic projects’. Moreover, when asked to identify the most vital factors for
successful business activities, the top 3 were ‘regular visits from the Austrian responsible for the region’, ‘training of local partners at the Austrian headquarters’ and ‘having a local managing director’ respectively. This is supported in literature by (Leach and Liu and Johnston 2005), who highlight both the importance of sales training and self-regulation. Moreover, it is interesting to point out that each of these factors for success grew in perceived importance since 2007, and the largest drop and the least important factor was ‘having an Austrian managing director in the target country’, which seems to imply there is a growing tendency for Austrians to manage from afar through regular visits rather than to relocate in the target market.

It is well understood that motivation can have a substantial impact on performance, and this holds true for sales performance as well. However, as mentioned previously, the impact of motivation types on sales is inconsistent (Ingram and Lee and Skinner, 1989). Consequently, the Barometer Study (2007, 2013) sought to delve deeper into this topic from an Austrian perspective in CEE and provides insight into how motivational preferences have developed since the financial crisis of 2008. In this context, findings point to the financial crisis as being instrumental in changing what motivates sales partners in CEE in that strictly financial motivators are perceived as less important than before. As motivation hinges on the relationship with sales partners and ultimately the leadership style, this topic is addressed additionally in the following section.

3.2 Developments of CEE sales partner relationships from 2007 to 2013

Regarding (Q2), this section deals with how cooperation between Austrians and their CEE counterparts has changed since the crisis. In addition to cultural understanding, managerial and personal constructs are also relevant in cross-border business (Baldauf and Lee 2011). In this regard, the authors would like to report the Barometer Study’s findings concerning relationship building through communication, motivation and a balance between trust and control. Findings from the study indicate the top motivating factors for sales partners in CEE are ‘recognition’, ‘leadership style’, ‘working climate’ and ‘job security’ respectively. All of these factors increased since 2007; the most dramatic jump was in the category ‘job security’, and the sharpest decreases were in ‘fixed salary’ and ‘performance based bonuses’. These findings indicate that there has been a fundamental change in motivational factors since the crisis, implying that the balance between intrinsic and intangible extrinsic motivation is crucial, which is important because intrinsic motivation can lead to more organizational commitment (Hughes and Ahearne 2010). Therefore, in this context, it appears that sales partners and sales staff in CEE are less motivated by financial remuneration than intangibles such as working climate and recognition. A result, whether or not the financial crisis of 2008 was the cause of these changes in motivational inclination, Austrian managers working with their counterparts abroad will arguably be affected by this development.

As trust and communication are arguably key components of successful relationships, in this regard, the findings of the Barometer Study (2007, 2013) are presented. As mentioned previously, there is a growing tendency towards local autonomy among CEE sales partners. Findings indicate an increase in local partners making their own marketing decisions. In all categories, from ‘marketing budgeting’ and ‘marketing channels’ to ‘trade fair planning’ and ‘selection of marketed products/services’ there was a marked increase of 14%, 11%, 16% and 25% respectively from 2007. It is interesting to point out as well that while local autonomy is growing, so too is the emphasis placed on ‘maintaining relationships’ with CEE partners. From 2007 to 2013 results show that the importance on ‘relationship maintenance’ increased and 78% of the questioned managers believe the topic is ‘very important’, the highest category in the five point scale. The results of the study also indicate the top four ‘ways to care for the relationship’: ‘communication and support’, ‘esteem and recognition’, ‘reliability’ and ‘trust’. Additionally, when asked about the relationship between ‘trust’ and ‘control’ in each of the CEE domestic markets, respondents emphasized the importance of
striking a balance between the two. Based on these results, there is a connection between the perceived relationship quality with CEE partners and the possibility to steer operations from the Austrian headquarters. This builds on the hitherto mentioned growing tendency for Austrians to visit their sales partners regularly rather than employ Austrians in CEE and implies that a strong relationship is a prerequisite to this managerial approach.

4 Managerial implications

For Austrian managers there have been some important developments since the crisis. When opting for indirect sales in CEE, working with the ‘right’ sales partners is crucial. This entails spending time and being diligent in selecting new sales partners and being in a position to evaluate sales partners in order to release poor performers rather than to maintain relationships due to sentimental reasons. Moreover, there is a trend towards guiding sales partners through visits instead of attempting to control them internally; however, the Barometer Study’s findings indicate that this is contingent on establishing a strong relationship and communicating well with sales partners in CEE. Since the crisis, sales motivation factors appear to have changed. Findings from the Barometer Study (2007, 2013) point out that intangible motivators such as recognition and working climate have a greater impact on the surveyed participants than tangible extrinsic motivators related to fixed salaries and performance based financial bonuses. Key factors for this increase in local autonomy seem to stem from a better understanding of what motivates sales partners and the reciprocal relationship between communication, company identification, motivation and trust. Finally, the evidence from the Barometer Study (2007, 2013) implies that by understanding the components of a strong relationship with CEE sales partners, Austrian managers need less control in steering them.

5 Research limitations and outlook

One limitation of the Barometer Study is that, although 244 interviews were conducted, there were only 30 interviews per country. Additionally, only half of the 16 former socialist countries that comprise Central and Eastern Europe were addressed. Consequently, it is impossible to make conclusions about the entire region. The countries included in the study (Czech Republic, Slovakia, Hungary, Poland, Russia, Ukraine, Bulgaria and Romania), however, are among the top 10 exporting destinations of Austria (WKOOE 2014).

Another limitation and possibility for future research is due to the recent political unrest in Russia and Ukraine. Naturally this could not be foreseen in 2013, and since that time the economic landscape in this part of the region has changed dramatically. That being said, a possible area for future research could be to discover the impact recent events and economic sanctions have had on these countries and the region as a whole. In this regard, autumn 2015 will mark the continuation of this longitudinal Barometer Study and will present the opportunity to investigate this topic. Furthermore, as Austrian managers have highlighted the importance of selecting the ‘right’ partners and disengaging ‘weak’ partners, it would be fruitful to understand what comprises ‘right’ and ‘weak’ to offer future managerial perspectives on sales partner management in CEE.

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Klúčové slová/Key Words

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Résumé

Rakúsky manažment predaja partnerom v krajinách Strednej a Východnej Európy
Krajiny strednej a východnej Európy (CEE) sú vnímané ako atraktívne trhy pre rozšírenie u svojich európskych susedov. Ako sa európske spoločnosti stávali stále viac medzinárodnými, súčasne to bolo výzvu pre koordináciu globálnych obchodných aktivít.
Jedným faktorom úspechu pre konkurenčný vstup do krajin CEE je efektívny manažment predaja partnerom, takže rakúske spoločnosti v procese internacionalizácie čelia výzve na vytvorenie a posilnenie dobrých vzťahov s ich predajnými partnermi v krajinách CEE.
Získavanie skúseností úspešných firiem už pôsobiacich v krajinách CEE a objavovanie kritických faktorov úspechu sú hlavným cieľom štúdií Barometer Study, ktoré sa začali v roku 2007 na Oddelení Global Sales Management na hornorakúskej Upper Austrian University of Applied Sciences v Steyri. Štúdie zahŕňajú dôležité aspekty pred a počas procesu internacionalizácie, vrátane typických vzorcov vyhľadávania a analýzy informácií, rozhodujúcich faktorov pre výber cieľových trhov, uskutočnenie marketingovej komunikácie, riadenie vzťahov s miestnymi partnermi a motiváciu predajného personálu v Českej republike, na Slovensku, Maďarsku, Polsku, Rusku, Ukrajine, Bulharsku a Rumunsku.
Tento príspevok sa venuje spôsobom, ako rakúske firmy vyberajú, rozvíjajú a motivujú svojich predajných partnerov a predajnú silu v krajinách CEE v súvislosti so zisteniami zo štúdií Barometer Study z rokov 2007 a 2013 a všeobecných trendov manažmentu predaja. Okrem toho, sú poznatky zo štúdií interpretované s cieľom poskytnúť manažerský pohľad na meniace sa prostredie trhov krajin CEE a manažment predaja partnerom na ňom.

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