Independent Project, 15 credits, for the degree of e.g. Master of Science, Business Administration: International Business & Marketing
Spring Semester 2018

The role of bonus and commission schemes in value co-creation
Exploring Tensions and Conflicts in Car Dealerships
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Abstract

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Title
The role of bonus and commission schemes in value co-creation. Exploring Tensions and Conflicts in Car Dealerships

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Abstract
Bonus and commission schemes are common practice among firms as an incentive for the salesforce. Despite the growing body of literature on value co-creation and the practical relevance, it remains unknown how these management tools relate to each other. There is a gap in research on conflict theory but it is argued that they derive from a paradox. The purpose of this study is to investigate the role of bonus and commission schemes and the potential tensions and conflicts that are caused by different paradoxes. It shows an exploration of how these paradoxes connect to value co-creation in car dealerships from a salesforce perspective. A theoretical framework is established to review the available literature. We have conducted six in-depth interviews to pursue rich qualitative data to fully grasp the dynamics of the dealership. We have found results that indicate a number of paradoxes that exist in the dealerships. We discuss that the variety of paradoxes bring tensions and conflicts forward, but also that some of the paradoxes are harmless. We also find that our respondents implicitly support value co-creation and that long-term relationships are essential. In our discussion a model is presented to present an overview.

Keywords
Value Co-creation, Sales Performance, Sales Tactics, Bonus- and commission schemes, Tensions and Conflicts, Paradox.
Acknowledgements

The biggest gratitude goes out to the love of my life, Tessa, who has been the biggest support throughout the academic year. It was hard to be separated for such a long time, but we managed to make it through without too many tensions and conflicts. The energy I have gotten from your support is worth more than any motivational speech could possibly bring.

I also would like to express my gratefulness to Christian Koch. Christian has managed to be both very supportive and a critical supervisor as well. It was a very pleasant journey to work on a challenging topic with getting exactly the right amount of feedback, motivation, and guidance. His performance and availability have been crucial to me in order to finish this thesis in such a short time-frame. Furthermore, the entire master’s programme at Högskolan Kristianstad has been extremely pleasant and by far the most enjoyable year of education I have ever had. Most recognition is expressed towards the high level of teaching and the personal approach, which have been an absolute delight. So, therefore, I would like to say a special thanks to Timurs Urmans, Daniela Argento, Jens Hultman, and Christian Koch (in random order).

I want to thank all salesman that have participated in this research for their contributions and openness. Your insights have been the cornerstone of this research.

At the end of ten months, there is plenty to be thankful for. Sweden as a playground to explore and learn has been absolutely phenomenal, and the positive energy that surrounds it is something that is profoundly special and unique. I am going to miss it.

Thank you all,

Åhus, June 2018

Bram van Kleef
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1. Introduction

In this section, we introduce the topic of bonus and commission schemes in sales strategy and value co-creation. Moreover, we briefly present the salesforce which our research will center around. Furthermore, the section continues with a problem formulation and as a result, the research question is formulated. This section ends with an outline of the research.

1.1 Background

Salespeople as such are being recognized as annoying, obnoxious and self-indulgent people (Gallup Inc, 2017). The car salesman is often described as the most despicable person that one meets in its entire life and he is formally recognized as one of the least trusted professionals around (Gallup Inc, 2017). When you read this example, it is hard to think of reasons why this profession still exists. Moreover, it clearly indicates that a self-centered approach towards sales by car salesman has led to the decreasing value of the profession and potentially hinders value co-creation. Few would disagree with the notion that the wrong incentives have been given to the salesperson.

According to Terho, Eggert, Haas, & Ulaga, (2015) sales performance is becoming much more analytical and top-management oriented. However, in 2010, Panagopoulos and Avlontis wrote that sales strategies as such have not received much academic interest. In practice, bonus and commission schemes are used to pursue strategic goals for the brand and the dealership. However, when the wrong incentives in the sales strategy are given it might occur that the salesforce is stimulated to use their expertise to exploit the sales encounter to their own gains, rather than the customer his needs, thus creating a moral hazard (Holmstrom 1979; Kräkel & Schöttner, 2015). This is of importance for us to understand because the occurrence of moral hazards and sales strategies are potentially connected and create a paradox. Because these moral hazards can occur in a paradox the interaction between bonus and commission schemes and value-co-creation requires exploration.

The salesforce can be incentivized by bonus and commission schemes to increase performance and Churchill, Ford, and Walker (1993) state that a “bonus or commission is a payment made at the discretion of management for achieving or surpassing some set level of performance.” They have investigated the salesforce and have seen that “such incentives are useful for directing salespeople’s efforts toward specific strategic objectives during the year, as well as providing additional rewards for top performers within the sales force.” For the top management of a firm, it is very important to
understand how sales strategy in the form of bonus and commission schemes communicates to the sales encounter to understand the implications for relationship development and meeting other long-term targets that create value for customers and the dealership. This is because there is a relatively low number of research available showing how the sales force contributes to creating these experiences and positive evaluations (Panagopoulos and Avlontis, 2010; Galvagno & Dalli, 2014).

The salesforce operates under targets that are usually difficult to meet and require outstanding performance (Kräkel & Schöttner, 2015). Firms are very reliant on a salesforce because they generate income which is of importance to sustain a healthy cash flow and lead a profitable firm (Kräkel & Schöttner, 2015). To emphasize this reliance, to compensate their sales agents, U.S. firms spend about $800 billion each year, which is almost three times as much as they spent on advertising in 2006 (Zoltners, Sinha, & Lorimer, 2008). However, a survey among sales and finance professionals among various industries report that approximately 50% of salespeople do not meet their annual sales targets (Ahearne, Boichuk, Chapman, & Steenburgh, 2016). For an individual salesperson, this poses a serious problem because typically their full-time compensation consists of a component that requires meeting individual sales targets set by top management, thus not meeting targets means that salespeople will receive a lower payment. Not meeting the targets could thus potentially mean a problem in the households of individual salespeople because they can not afford certain expenses. The relevance of the bonus and commission schemes is further strengthened by the finding that only 5% of salesforce work without these incentives (Kräkel & Schöttner, 2015)

Now that it has become clear that these incentives are in place to stimulate the salesforce performance we will have a look at how these incentives help shape relationships with customers. Relationship development and value co-creation theory have received increasing academic interest in the form of value co-creation (Galvagno & Dalli, 2014). The transformation towards a service logic is not only important for service companies, but also for manufacturing companies (Gronroos, 2015). For car manufacturers, the dealerships serve as retailers and they seek to operate as a service-provider by offering products according to the customers’ everyday process and how they affect their lives (Gronroos, 2015). For dealerships, this poses a unique opportunity because it has been shown that manufacturing firms are increasingly dependent on retailers because they have the relevant retail expertise and customer orientation (Kim, Jung & Park, 2015). One of the key requirements of being a service business is that you are ought to have a thorough understanding of consumers everyday process on the long-term, and the dealerships meet those requirements because
they will sell different types of models that could satisfy a variety of needs. However, service as a process requires activities that support value for the customer even though they might be unprofitable on a short-term basis (Gronroos, 2015; Ingram, LaForge & Leigh, 2002). However, selling a product that does not connect with the needs of a customer, but only connects to the opportunity for the salesperson to increase bonus or commissions clearly decreases the opportunity for value generation (Ingram et al, 2002; Kräkel & Schöttner, 2015; Gronroos, 2015).

### 1.2 Problem

As mentioned previously, a salesforce is created in order to pursue strategic goals set by the firm (Terho et al, 2015; Zolander 2008). Moreover, relationship development and value co-creation have become increasingly important for firms to remain competitive on the long-term and should, therefore, be considered by service-providers (Gronroos, 2015). The sales encounter offers a potential for firms to engage in value co-creation. However, conflicting targets and goals in the sales strategy might give a wrong incentive to individual salespeople on how to act in the sales-encounter. For example, a salary of which 40% of the total sum is determined by the number of products he sells, or total turnover he generates, the sales tactics of the individual salesperson might be in conflict with a goal of creating long-term relationships with customers because they require more time and a long-term approach (Ingram et al, 2002). The requirement to co-create value and meet the targets that are set by the firm is potentially in conflict leading to the earlier described moral hazard. A simple example would be that selling a very expensive car would give the salesperson a commission double as high as for a simple model that sells for a low price to a single person who can not afford such a product, however, without selling this car the salesperson will not be able to support his household. Therefore, it is important to investigate how these potentially conflicting goals influence the sales encounter in which the individual salesperson operates.

This research contributes to agency theory as such by enhancing the narrow foundation with rich and complex data that describes the incentives in real-life with a variety of incentives (Eisenhardt, 1989; Perrow, 1986). Eisenhardt (1989) and Perrow (1986) both outlined this as an opportunity in agency theory research because a only a low number of research with testable implications has been performed and remains deeply rooted in theoretical groundings. Even though these articles are relatively old, this research gap has not been eluded.
This conflict opens up another research gap that arises when assessing the literature on bonus and commission schemes and paradoxes in management theory. The literature that is available on the bonus and commission schemes for a salesforce limits itself to the US and a small Dutch sample (Jansen, Merchant & Van der Stede, 2009). There is no clear argument for why this type of research has not been done in Europe or other markets, but due to the significant differences in how European countries approach labour, it seems very relevant to explore the role of bonus- and commission schemes in a European country setting. We expect differences in the outcome of the study because we know that the markets are differently organized and the incentives are quite different. For example, it has been mentioned that some US car salesmen only get paid per sold product whereas it is legally required for Swedish dealerships to offer a basic salary (Teknikföretagen, 2012). Moreover, according to Deutsch (1990) researchers have not concentrated on finding causes of conflict in organizational theory. By focussing on one potential cause for conflict that can be caused through management practices that are in paradox we can contribute by laying a foundation for detailed quantitative research. Further, this is of relevance for organizations and managers alike because this potential to contribute to the value for customers by engaging in their needs in daily life requires a different set of tactics then might be expected from salespeople, otherwise they would have a better reputation then our opening statement indicates. One possible factor that could foster both co-creation and individual sales targets might be that buyers seldom have one dominant orientation on a product and consequently different tactics and products could work in different situations (McFarland, Challagalla & Shervani, 2006). This implicates that in the sales-encounter co-creation of value might arise when the values for the customers are aligned with the values related to the bonus and commission scheme of the individual salesperson.

Therefore, this particular research wants to focus on the sales forces in car dealerships. This business to consumer (B2C) setting has been researched in the US but has not received much attention in European research, apart from the small Dutch sample. The European dealerships face different challenges then US firms, for example, Goldberg & Verboven (2005) find that due to EU-legislation there is less room for initiative by individual salespeople to make interesting bargains for customers because due to the European law of one price (LOOP), cars should be sold for a certain price according to the market they are being sold in. This opens up an opportunity to focus on European dealerships because they operate in a framework that makes it much harder to make attractive offers to customer, but they do operate within the European market under local labour
conditions which might give them more comfort that could lead to a more helpful approach to customers.

Along with the required basic salary and the different framework, we deem it important to get an in-depth understanding of the phenomenon and therefore we will perform a qualitative research. One argument to pursue qualitative data is to fully grasp the meaning of individual salespeople when they talk about sales tactics and the role of bonus and commission schemes in the sales encounter. Because the implication of bonus and commission scheme is very personal and different in every dealership we deem it important to get closer to the people we will speak about. We have learned in the articles by McFarland et al, (2006) and Hohenschwert & Geiger, (2015) that salespeople apply different tactics in the joint sphere of the value generation process. However, the actual understanding of what these tactics mean, and how salespeople apply them is rather subjective for every salesperson. Therefore we argue that this exploration calls for qualitative data collection in order to discover the conflicts and tensions in bonus and commissions schemes as part of the sales strategy.
1.3 Purpose
The purpose of this study is to investigate the role of bonus and commission schemes and the potential tensions and conflicts that are caused by different paradoxes. We aim to explore how these paradoxes connect to value co-creation in car dealerships from a salesforce perspective.

1.4 Research question
What are the paradoxes caused by bonus and commission schemes that can lead to tensions and conflicts in dealerships aiming for value co-creation with customers?

1.5 Limitations
A limitation to this study would be that we only focus on one country and one region, South-Sweden, because we do not have the resources to expand our studies to other countries and regions. Another limitation is that this thesis has been written in a mere five weeks by a single brain. Obviously, this has some implications for the amount of data one could find.

1.6 Key Concepts
Value Co-creation, Sales Performance, Sales Tactics, Bonus- and commission schemes, Tensions and Conflicts, Paradox.

1.7 Outline
Chapter 1 introduces the topic and the academic literature and formulates the problem. The purpose along with the research question are then presented following the limitations.

Chapter 2 introduces the theoretical framework in which this study takes place. In this theory we connect the literature on different levels. At the end, the summary and the model that emerges from the theory are presented.

Chapter 3 consists of the entire method section. The first part presents the research methodology and the second part is the empirical methodology that describes how we collected the data and performed the research.
Chapter 4 presents the results that we have extracted from the data. In this chapter we will describe all the themes and patterns that we have found which are strengthened by quotes from the interviews.

Chapter 5 leads us to the discussion were we connect the theoretical framework to the results. In this chapter we explain certain results and identify problems and opportunities.

Chapter 6 offers a conclusion along with limitations and suggestions for future research.
2. Theoretical Framework

This research is embedded in the value co-creation theory. As the text implies, companies and customers work together to generate value through the value generation process. To get a clear image of the factors that influence the sales encounter we review the literature. We start with the firm level before elaborating on the individual salespeople level. We then take a closer look at the characteristics of customers before moving on to the theory of conflicts and paradoxes in management. We conclude with our summary and model.

2.1 Firm-level

To understand how a sales encounter is brought to life it is important to look at the firm level because the salesforce operates under the realm of the firm and executes strategies and receives incentives. Secondly, a customer always shows interest in the firm and the sales encounter only occurs when interest in the potential value has been shown.

2.1.1 VALUE CO-CREATION AND THE SERVICE-DOMINANT LOGIC

Co-creation as a more general concept consists of the entire analytical framework were companies and customers generate value through interaction (Vargo and Lusch, 2008). Value co-creation is embedded in two different logics, namely the service logic (SL) and the service-dominant logic (SDL). According to Gronroos and Gummerus (2014), the new service implications from the SDL are “revolutionary” because they have the potential to transform marketing from merely a function to an organization-wide attitude. One important difference with the SL is the comprehensive view of the SDL compared to the SL that only include the direct and active approaches in value co-creation, whereas the SDL encompasses all active and passive factors in the value co-creation. This clearly links to the “revolutionary” implications for service because they relate to attitude rather than active performance in the sales encounter (Gronroos and Gummerus, 2014). From an analytical point of view, the service perspective requires that the customer creates value in use and this logically means that the user is the value creator, whereas the service provider is a facilitator of customer value creation (Gronroos and Gummerus, 2014).

Terho et al (2015) find that establishing value-based selling is an important driver of salesperson performance in business markets, but they left the consumer market out of scope. One of the prerequisites for value co-creation is that it is by nature a social thing and this means that customers interact with people in their environment and that from using goods and services the customer can
become better off, or worse off (Gronroos, 2015). For managers and salespeople the theory implies that the customer drives the value of the product and the service, however, from similar research in the US we have learned that the wrong incentives regarding bonus and commission send the wrong signal to salespeople and it might affect the experience of the customer in a negative way, thus feeling worse off while using the product or service (Jansen et al, 2009; Gronroos, 2015). The agency problems that are in place there could be solved through monetary incentives because that creates a whole new meaning of (Jensen, 1993)

In practice, we see that dealerships operate as the retailers for car manufacturers with service and customer knowhow as a competitive advantage (Kim, Jung & Park, 2015). Moreover, service as a dominant logic would make sense in the operations of a dealership because that is the core of their position in the whole value generation process for a car manufacturer (Caiazza & Nueno, 2014). The value generation process states that in the joint sphere, or sales encounter, co-creation takes place in converting it to value-in-use (Gronroos, 2015). In the customer sphere, the value creation continues by the independent customer that creates value-in-use by experiencing great service (Gronroos, 2015). Social value is then further created in the customer ecosystem where great service serves as an advertisement for the selling firm (Gronroos, 2015).

2.1.2 SALES STRATEGIES
Broadly defined, the strategy consists of the coherence in all the decisions and actions that determine how resources are used to pursue goals (Snow & Hambrick, 1980). The sales function is concerned with how a firm chooses to relate to and interact with individual customers within a market segment, in order to aid the realization of marketing objectives (Ingram, LaForge & Leigh, 2002). From this perspective, participation in value co-creation is thus a choice, and not necessarily something that every firm has to engage in. However, as we have learned, it increases competitiveness over time.

Marketing and sales activities are very connected in practice, but marketing and sales strategies are different in that they refer to different functions in an organization (Campbell-Hunt, 2000). Successful implementation of sales strategy can be seen as a source of competitive advantage in business markets (Panagopoulos & Avlonitis, 2010). The salesforce as part of the strategy is crucial to drive the business and generate income (Campbell-Hunt, 2000). According to Terho et al. (2015), organizational selling models are important for salespeople because it creates a proper framework to
operate in, strengthening the importance of sales strategies. Sales strategies usually consist of targets, a collaborative approach to customers, clear guidelines for salespeople on what they can and can not offer, and of course a bonus and commission scheme to create the right incentives to execute the strategy (Panagopoulos & Avlonitis, 2010).

2.1.3 SALES TACTICS AND VALUE STRATEGIES
Sales tactics are used by individual salespeople to convince customers of value that their service or products offer (McFarland et al, 2006). Sales tactics are further influenced by the sales strategy as we have learned. As part of the value generation process, sales tactics embed in the direct interactions that create a possibility for dialogue (Gronroos & Gummerus, 2015). Sales tactics are part of the three value strategies; changing, strengthening and expanding (Hohenschwert & Geiger, 2015). Changing requires salespeople to steer their customers’ value perceptions in cases were the customer perceives enough value in the offered solution (Hohenschwert & Geiger, 2015) Salespeople attempt to strengthen their customers’ value perception when they emphasize the positive benefits of the relationship and by mentioning that the deal might improve their well-being (Hohenschwert & Geiger, 2015). Expanding as a strategy requires the salesperson to emphasize the irreplaceable value the solution will have to the customer (Hohenschwert & Geiger, 2015).

McFarland et al, (2006) identified six different tactics that can be used in the sales-encounter as shown in figure 2. the six different tactics have been widely examined and are therefore very relevant for us in investigating the influence sphere in which the individual salesperson communicates to the individual customer (Boyle and Dwyer 1995; Kim 2000). Moreover, Hohenschwert & Geiger, (2015) Identify the three new influence tactics used in the sales-encounter, namely: disrupt, reassure and dedicate. They are part of the three value strategies; changing, strengthening, expanding.
2.2 Individual Salesperson

In this section, we will shine a light on the personal traits of successful salespeople and the needs they have to do their jobs as effectively as possible. Moreover, the literature on bonus and commission schemes is presented and thereafter the importance of relationship management is stretched.

2.2.1 PERSONAL TRAITS OF SUCCESSFUL SALESPEOPLE

In recent years, sales performance has become a much more analytical process that has seen further integration with marketing. And as the literature suggests, much of their behavior can be pushed with incentives. However, much of the literature regarding sales emphasize the importance of selling in business to business (B2B) context. Before the 1990’s not much evidence was found to really establish a theoretical framework for personal traits of successful salespeople.

In 1947, Chapple and Donald Jr. initially studied salespeople and found out that active salespeople are generally more successful in the showroom. Some of the habits they showcased frequently are talking, smiling, nodding and gesturing (Chapple and Donald Jr, 1947). Evans (1963) was the first to formulate that successful selling is not just dependent on the performance of the seller, but also

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<th>1. Information exchange</th>
<th>The source discusses general issues and procedures to try to alter the target’s general perceptions without stating a request.</th>
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<td>2. Recommendations</td>
<td>The source predicts that the target will be more profitable if the target follows the source’s suggestions.</td>
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<td>3. Requests</td>
<td>The source simply states the actions it would like the target to take.</td>
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<td>4. Threats</td>
<td>The source threatens the target with a future penalty if the target does not comply with a request.</td>
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<tr>
<td>5. Promises</td>
<td>The source promises the target a reward if the target complies with a request.</td>
</tr>
<tr>
<td>6. Legalistic please</td>
<td>The source cites a legalistic, contractual, or informal agreement that requires the target to perform a certain action.</td>
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on the habits of the prospect who is looking for a product. This opens up the principle of value co-
creation were the customer is the value creator. Weitz (1981) found that salespeople should be very
flexible and talented to adapt to different types of a prospect to tailor the often standardized product
to their needs. Saxe & Weitz (1982) established a new model for customer-oriented selling, a way of
selling that can be seen as a precursor of value co-creation. According to Predmore & Bonnice
(1994) the ability to establish relational communication and control is very important for
salespeople to close deals with their prospects. Therefore, adaptability is a great requirement to be
successful in sales (Predmore & Bonnice, 1994).

2.2.2 THE NEEDS FOR SALESPEOPLE
Literature has also briefly addressed what the needs are for salespeople in performing their job to
their best potential. This is interesting to resolve the agency problem because adapting to those
needs could mean alignment between the firm and the individual salesperson. According to
Zoltners, (2008) there are five different categories that need to be taken into account. (1) Clear roles
and territories consist of definers that address the full scale of the operation for salespeople, this
includes sales force design, clear structure and roles, an appropriate sales force size and Territory
alignment (Zoltners, 2008). (2) Skills, capabilities, and values to succeed in their work are
established through good recruitment, training and coaching, culture formation, appropriate
leadership and sales managers and last but not least, compensation and incentives. (3) Customer
knowledge and know how are necessary to succeed, this can be done through good marketing such
as knowing what the present state of affairs is on customer research, meaningful targeting, useful
data and tools and customer relationship management. (4) Another thing important for salespeople
is to be motivated and inspired to succeed. Aspects such as culture, leadership, compensation and
incentives, motivation programs and meaningful work are found to be very important to achieve
this. (5) The last topic is of utmost importance for us because salespeople mention that they want to
have their activities directed in appropriate ways (control). Compensation and incentives,
performance management and measurement, goal setting and forecasting and coordination and
communication are the priorities to achieve control over the salesforce.

From a theoretical point of view, the importance of compensation and incentives is stretched more
than once and implicate that proper compensation needs to be done right. Lussier & Hartmann
(2016) mention that psychological capacities such as optimism and resilience can lead to the
development of diverse, exploratory, and novel behaviors that support customer orientation. by
broadening one's spectrum of adaptive mechanisms and problem-solving approaches. Specifically, this research shows that both optimism and resilience contribute to a higher-order psychological resourcefulness that can foster salespersons' customer-oriented behaviors. This is in line with the notion of Zoltners (2008) that leadership, culture, inspiration, and incentives are important to be able to perform these capacities. Moreover, from the social identity theory, we have learned that people need to feel part of a group in order to feel secure and being able to perform at their best, implying that team-composition is important to create strong salesforces (Ashforth & Mael 1989).

2.2.3 BONUS AND COMMISSION SCHEMES: AN AGENCY CHALLENGE

Agency theory is directed at the relationship between a principal and an agent (Eisenhardt, 1989). In our research the relation to this theory is very clear because we look at the relationship between the dealership, the principal, and the salesman, the agent and their interactions. Agency theory is concerned with resolving issues that arise in this relationship (Eisenhardt, 1989). Because we try to discover if monetary incentives through bonus and commission schemes cause any harm for potential prospects we deem it important to also include the agency theory because an agency problem can arise from a difference in goals or desires. Something that arguably exists but can be affected by incentives. Further, it can be expensive to control for what the agent is actually doing and therefore incentives and control systems might alleviate these problems (Eisenhardt, 1989).

To provide incentives, the firm can choose between a commission and a quota-based bonus. Basu, Lal, Srinivasan & Staelin, (1985) were the first to present a theory on compensation schemes for the salesforce. The compensation plans theory states that the compensation is needed when the sales of a product not only depends on the efforts and qualities of the salesperson but it is also necessary when there is uncertainty in the demand (Basu et al, 1985). The compensation plan is initiated by firms to maximize profit taking into account the salesperson his likely efforts to increase sales that would not occur when the compensation plan is not in place (Basu et al, 1985; Jensen 1993). The salesperson decides to put in a certain effort to maximize his utility under a certain compensation plan and that incentive helps the firm to increase sales performance (Basu et al, 1985)

It is because of this that there a is difference with organizational or political theory because agency problems are usually solved by bargaining, negotiating and coalition rather then the use of incentives which is used to resolve agency problems in agency theory (Eisenhardt, 1989). In most for-profit organizational settings monetary incentives are often used because it improves general purchasing power which is valued by almost everyone, because it is a claim on all potential
recourses (Jensen, 1993). Further, Jensen (1993) adds that monetary incentives are very strong because they motivate people for certain actions that are in itself are hard to motivate for, because people are often not motivated to do just that.

A dealership can easily check whether a salesperson is present to answer customer questions, keeping the showroom clean or that they regularly approach a customer. On the other hand, a sales agent can actively communicate the advantages of the firm’s product in face-to-face encounters and invest time and effort to learn a customer’s specific needs, which is hard to monitor (Krakel & Schottner, 2016). The first type of activities are job requirements and can be met with a basic salary. However, for the firm to directly enforce that the salesperson additionally engages in actively communicating the value of the product is something that is prohibitively expensive (Krakel & Schottner, 2016). Therefore, we can differentiate between two effort levels. When the salesperson does not engage in the second type of activities, he will only fulfill the basic tasks, which corresponds to “low effort” and a basic salary would be sufficient. Moreover, when the salesperson decides to engage in the second type of activities to present the values of the dealership, we could speak of “high effort” that could be rewarded with a bonus or commission based on the success of this effort. However, it remains difficult to measure the difference between low and high-effort and thus there is a potential moral-hazard problem (Krakel & Schottner, 2016)

Another problem that is described by agency theory is that of risk sharing (Eisenhardt, 1989). The problem here could be that the agent and the principal make different decisions based on the same amount of risk and thus an agency problem is created (Eisenhardt, 1989). In this research we find out to what extent bonus and commission schemes have an effect on balancing these two major issues that agency theory talks about, all within our sample off course. A moral hazard is in place when the salesperson has more information about the product and is willing to behave inappropriately from the customer-perspective that usually has a lesser comprehensive view on the sales encounter and the deal (Holmstrom, 1979). Therefore, the problem that a bonus or commission will actually boost the moral hazard is something that is a potential danger for firms. Schöttner (2016) has found that firms want to optimize the incentives for high effort. This finding suggests that a reward based on a quota cannot be an optimal bonus because it would lead to low effort when it turns out that the quota cannot be made, or is made. Hence, Schöttner (2016) says it is impossible to characterize situations where a pure bonus scheme is optimal. The interesting aspect of a commission is that the salesperson directly is rewarded when the high effort is performed with
success e.g. closing a deal, hence, the salesperson is also missing out on additional income when high effort does not lead to closed deals. This is a situation which is further described by agency theory because without the right incentive people are not motivate to act in the desired way (Eisenhardt, 1989). Compensation based on commissions is done optimally when the salesforce reacts positively to continuous incentives (Krakel & Schottner, 2016). Further, a commission is best used when a firm wants to generate strong incentives and wants high effort with every customer. The quota-based bonus creates only incentives on the long run and has some problems because the salesperson is rewarded only when he sold enough products, he will no longer be motivated to do more when the goal has been reached, or stop his efforts once is known that the target will not be met. Collaboration with marketing is important because the salesforce can receive information on the amount of effort, and what type of effort, will be enough to make the sale. Therefore, it is important for the salesforce to know their customers’ preferences very well and can thus anticipate how the customers respond to high effort.

2.3 Customer Level
We take a closer look at the customer and their characteristics from a literature perspective. This is of relevance because we think it is good to understand what we can say about customers from a theoretical perspective because we do not use them in our data collection. However, since customers are the value-creators and the conflicts for the salesforce depend upon their characteristics, we deem it very relevant to describe this.

2.3.1 PROSPECT THEORY
The prospect theory is descriptive and interesting because the sales encounter is by nature subject to human behavior and therefore a real-life situation. The theory states that people make decisions based on the potential value of losses and gains rather than the final outcome, and that people evaluate these losses and gains using certain heuristics (Kahneman & Tversky, 1979). Moreover, the behavior of markets and individuals are not as rational as traditional science always suggested it to be (Post, van den Assem, Baltussen, & Thaler, 2008; Massey & Thaler, 2010). The aforementioned researchers find that individuals make different decisions in a context where the monetary risks are high and their findings strongly support the idea that individuals do not make perfectly rational decisions at all. This is of relevance to sales strategies because historically psychologists and economists have always spoken of the customers as an economic man with three properties: (a) He is completely informed. (b) He is infinitely sensitive, (c) He is rational (Edwards 1954) which has been a starting point for many sales strategies so far (Ingram, LaForge, & Leigh, 2002). These
findings further strengthen the idea that sales tactics have effect in a sales encounter because with carefully crafted openings the salesperson could create opportunities by changing the rational starting point of the customer for his own gains. Moreover, these personal gains for the salesperson might have consequences for the firm because influencing the value perception of the customer might have negative consequences on the long-term for firms. This so happens by creating a moral hazard (Krakel & Schottner, 2016).

2.3.2 INFLUENCING CUSTOMERS
Sales tactics are applied to either change, strengthen or expand the perception of value by customers and so influence their decision to buy (McFarland et al, 2006). From a customer perspective, it is well known that people simplify complex tasks using simplifying heuristics owing to limited cognitive resources (Simon, 1955). This bounded rationality hinges upon the fact that the brain makes up for its lack of cognitive knowledge to make a truly rational decision based on all information available (Massey & Thaler, 2010).

Simon (1955) illustrates a situation during the play of a game of chess and it was observed that when Black brought forward a piece that is clearly not “won” for white, because of this tactical movement, White rejects his original plan and tries something different instead. From an objective view the positions for White are still the same and can still be "won", "lost" or "drawn" but White makes a judgement based on the previous move of Black and the odds that may arise and judges the situation as "clearly won", "clearly lost", "clearly drawn” etc.

Although the evidence is over 60 years old the recent appraisal for this line of thought arguably backs up the historical and empirical relevance of this topic. Moreover, it appeared that humans tend to think they have a perfect overview of factors that will determine their decisions but the lack of cognitive knowledge prohibits them from making the best decision that is observable. This is of importance for the salesperson because all potential moves can be better understood. Therefore, marketing is very important in identifying the potentially winning strategies in convincing customers of the value of their products. If salespeople are aware, they can with relative ease steer the decisions of customers. This is of importance for the dealerships because a pure commission
based scheme might incentivize the moral hazard where the customer is not helped, but the salesperson takes home the monetary reward. This calls for exploration towards a more solid bonus and commission scheme.

2.4 Paradoxes in Management Structures

To perform academic research on tensions and conflict in organizations we could benefit from frameworks that aim to identify these in order to build sound theory. A Paradox can lead to tensions and conflicts (Wall & Callister, 1995). Wall & Callister (1995) define conflict as a process in which one party perceives that its interests are being opposed or negatively affected by another party. In our case we investigate how the salesforce is affected by incentives that can possibly lead to such a conflict. Hill & Jones, (1992) found that agency theory not just includes stockholders and the firm, but also includes all employees and customers. It is precisely these interactions caused by incentives in this target group that we aim to explore making the theory relevant. A new paradigm was proposed which explains strategic behavior by firms and the structures of management stakeholder contracts including the evolutionary process that helps shaping this relationship.

For this research, the theory opens up the opportunity that is offered by tensions, oppositions, and contradictions of explanations of the same subject (Poole & Van de Ven. 1989). The tensions that derive from management theory and practice are not strictly logic and therefore benefit from a philosophical approach. In their essay, four different means of looking at paradoxes are presented; (1) accept the paradox and use it constructively; (2) clarify level of analysis; (3) temporally separate the two levels; and (4) introduce new terms to resolve the paradox (Poole & Van de Ven. 1989). It has been said that it is difficult to work with paradoxes if it is chosen to work with them. However, we try to find them what makes it a slightly different task. In action, individuals are viewed as goal-directed and guided by the rewards and restraints. As for salespeople, these interactions are further structured by social interactions were structure meets practice. Moreover, in practice, structure and system are two different things, whereas structure represents the rules and the resources handed to the salesforce but the system is the outcome of rules and resources, which are the collective set of incentives that the organization creates deliberately (Poole & Van de Ven. 1989). It is precisely this difference that can lead to tensions and conflicts and therefore the ways of using paradox are relevant.
2.5 Summary
The collected picture that emerges from the information presented above leads us to the following.
In agency theory the focus partially lays within the contract between the principal and the agent (Eisenhardt, 1989; Hill & Jones, 1992). As Holmstrom (1979) pointed out this contract can be the foundation of a moral hazard. Moreover, several attempts have been done to eliminate certain problems in contracts to reach an optimum (Krakel & Schottner, 2016). Since most of the times agency theory is used in organizational settings to describe compensation, diversification strategies, ownership, vertical integration among other subjects we see a clear fit for this research.

In our developed model we can see that on the firm level, bonus and commission schemes are used to increase sales. On the other hand, the firm creates a co-creation platform that is in line with the preferences of the customer. From there, we can see that the salesperson receives a basic payment to perform all low-effort tasks. Further, the individual customer has a desire to buy a car with a deal that suits him best, preferably for a good price. Because of this, the customer has decided to come to the showroom after showing initial interest. The dealership, the salesperson and the individual customers are hoping to close a satisfactory deal that serves their gains in the first place. From here we can gradually see the potential problem evolve. The salesperson has in mind that a sale will increase his bonus and/or commission in this period and uses his negotiation and influence tactics to persuade the customer in a deal favorable to him. The salesperson is aware that the deal will also benefit the firm. The customer faces a tough process in the decision making. The car could have problems, might be too expensive or other factors that rationally speaking would make the car unattractive, however, the well-trained salesperson convinces the customer to make the choice. Unknown in this model is how the incentive that the salesperson has received creates a moral hazard. And that is something we aim to discover. Because understanding organizational life is important because whether we like it or not, most of the time organizational life is about self-interest (Perrow, 1986).
Fig 3. Research Model
3. Methodology

In this section, we will expand our choices of the research design. First, our research approach and research strategy will be presented and afterward the empirical methodology explaining our data collection follows. Here, we find our ground for theoretical considerations. The research approach and the choice of the method are presented. After that, we explain how we have come to our theoretical framework and some indications of the strength of the literature being used.

3.1 RESEARCH APPROACH

In general, there are three different main approaches that can be used: deductive, inductive and abduction (Bryman & Bell, 2011). The deductive approach concerns testing of theories, meaning that theories and hypotheses are developed and tested in the research (Bryman & Bell, 2011). The inductive approach pertains the development of theories by collected data, in other words, an elaboration of empirical data leads to theory building (Bryman & Bell, 2011). The third approach, abduction, is a combination of both the inductive and deductive research approaches. Abduction can be used in order to lower the risk of the two approaches by combining them (Bryman & Bell, 2011).

Considering the characteristics of the three approaches described above, this research arguably calls for abduction (Bryman & Bell, 2011). There is plenty of research on the themes that we discuss as the literature review and the model indicate. However, because of the market differences in Sweden in comparison to the US, there is a need for exploration into the specific factors that influence the sales encounter. Therefore, existing literature is used to frame and explain the topic and a purely inductive approach does not apply. On the other hand, this research does neither follow a deductive approach since the aim is not to test a strongly defined theoretical model. We have chosen to apply abduction because we can use the strengths of both deductive and inductive approaches. This is reflected in the approach of this research were previous literature is used together with new rich data that can describe the phenomenon of the sales encounter.

3.2 CHOICE OF METHODOLOGY

According to Yin (1993), the qualitative exploratory research is a study with a describing classification. Therefore, an explorative illustrative study is best suited to draw a clear image of the considerations salespeople make in sales encounters (Yin, 1993). As mentioned in our problematization, the most important argument to pursue qualitative data is to fully grasp the meaning of individual salespeople when they talk about sales tactics and the role of bonus and
commission schemes in the sales encounter. From a theoretical point of view, we have established the potential danger of a moral hazard, something that has ethical considerations for salespeople who engage in sales encounters. Because the implication of bonus and commission scheme is very personal we deem it important to get closer to the people we will speak about. Therefore we argue that exploring all the potential tensions and conflicts that might lead to the moral hazard calls for qualitative data collection in order to discover a pattern in these two concepts of value-creation and bonus and commissions scheme as part of the sales strategy. Moreover, it allows us to investigate the process on a deeper level in comparison to a quantitative study with a survey because we can ask them about particular cases and stories that need thick description (Coviello & Jones, 2004). We need this information to be able to identify the paradoxes that might cause tensions and conflicts.

As mentioned before, The tensions and conflicts that we might find are not strictly logic and therefore benefit from a philosophical approach. Traditionally, four types of qualitative research lead the domain (Gubrium & Holstein, 1997 as cited in Bryman & Bell, 2011), Namely; naturalism, ethnomethodology, emotionalism, postmodernism. Naturalism as a philosophy offers us the opportunity to fully grasp the social reality for salespeople in the showroom, which might be useful to understand how incentives are really perceived. For us researchers, the naturalistic fallacy is one of the dangers we should avoid because the results we find are neither good nor bad when applying naturalism. In itself, neither tensions nor conflicts are a bad thing, they simply happen and have potentially an effect on the agents that take place. Moreover, the tensions and conflicts are real but do not need a strong judgment from our side. In the trustworthiness section, we further elaborate on the implications.

3. 3 RESEARCH STRATEGY AND RESEARCH DESIGN
From Bryman & Bell (2011) we have found six different types of research that can be used: experimental research, survey research, comparative research, case study, observational research and action research. We have deemed a combination of a case-study and observational research most relevant because the sales encounter is a repeatable event, but it has a different context in each and every time thus taking in the benefits of observation can help us to better understand the phenomenon (Bryman & Bell, 2011). What we found useful, is to distinguish between single and multiple case study design. The single case study design has a holistic approach and unit of analysis, the multiple case study design has an embedded approach and unit of analysis, that means that a comparative element is included by having more than one unit of analysis (Bryman & Bell,
2011). This research is focusing on the sales encounters of many dealerships and therefore the multiple case study is relevant.

The time horizon of a research can be divided into two dimensions, cross-sectional studies and longitudinal studies (Bryman & Bell, 2011). Cross-sectional studies are used to observe a certain situation over a specific period of time and are undertaken mostly by academic researchers, since there is a time constraint for our objectives. Longitudinal studies, on the other hand, have the capacity to study change and development over a longer period of time (Bryman & Bell, 2011). This research had due to unfortunate circumstances only five weeks to collect and analyze data. Within those five weeks the usage of cross-sectional studies is most suitable and provides a picture of the current situation and therefore a cross-sectional study is more feasible than a longitudinal study.

3.4 RELEVANT DATA SOURCES AND SELECTION OF PARTICIPANTS

Here in the south of Sweden, there are plenty of licensed dealerships that buy their stock from the national import companies that mostly work for the whole northern market. Our target area is South-Sweden, consisting of both Skåne län and Blekinge län (Riksområden, 2008). This area has approximately 80 licensed dealerships according to the list of car dealers at google maps. From the results, we have eliminated the second-hand dealerships and companies specializing in trucks or other types of transport that are usually not sold in a B2C setting. For dealerships, a long-term vision on relationships with customers might be a competitive advantage for the firm but creates a conflict for salespeople that have received bonus and commission incentives that call for a short-term approach to sales.

We have conducted in-depth personal interviews with experienced salespeople in the showroom. This measure was taken after speaking to potential respondents in the dealerships. After having discussed that experience is important we decided to talk to a colleague at this dealership with more experience. After that, it has been decided to only to speak with people that have more than one year of experience. It shows in our results because every salesman had between seven and twenty-five years of experience.

The group that we have spoken to have been all men with the Swedish nationality and their experience is all restricted to the south of Skane. To get a comprehensive view of this specific type
The Role of Bonus and Commission Schemes in Value Co-Creation: Exploring Tensions and Conflicts in Car Dealerships - Bram van Kleef

of business we found it interesting to speak to a variety of salesman to get a more wholesome picture of the sales encounter. moreover, we have chosen to speak to six different dealerships in South-Sweden. The reason, therefore, is that all the salespeople have a different bonus and commission scheme and can talk freely about their whole environment, the dealership structure, the unique features of the brands(s) and their colleagues. We have only been speaking to the licensed dealerships, but some have been multi-brand dealerships, and other single-brand dealerships. This is of relevance because sometimes the bonuses and commissions come from the brand and thus a variety of brands could lead to extra complex sales encounters for the salesperson.

The aim here is to establish a scene where we can see if the incentives that are given are working and how they are communicated. From talking to salespeople we can learn if the incentives actually have the desired effect and if they engage in creating a moral hazard. This is exactly what makes this research interesting.

Following is a table of the respondents and the details of the interview. For confidentiality purposes, the location of the dealership, the dealership and the name of the respondent are not mentioned. The location of the dealership cannot be mentioned because usually, a brand is only present in a location in one dealership. Presenting this information would immediately reveal the dealership. All of them are located in South-Sweden.

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Main Brand</th>
<th>Date of Interview</th>
<th>Duration of Interview</th>
<th>Location</th>
<th>Gender</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Mercedes</td>
<td>9 May 2018</td>
<td>37:32 Minutes</td>
<td>Dealership - Office</td>
<td>M</td>
</tr>
<tr>
<td>B</td>
<td>Honda</td>
<td>10 May 2018</td>
<td>48:23 Minutes</td>
<td>Private Setting</td>
<td>M</td>
</tr>
<tr>
<td>C</td>
<td>Multi-brand Middle Segment</td>
<td>9 May 2018</td>
<td>18:55 Minutes</td>
<td>Dealership - Office</td>
<td>M</td>
</tr>
<tr>
<td>D</td>
<td>BMW</td>
<td>9 May 2018</td>
<td>39:19 Minutes</td>
<td>Dealership - Open office</td>
<td>M</td>
</tr>
<tr>
<td>E</td>
<td>Volvo</td>
<td>15 May 2018</td>
<td>39:42 Minutes</td>
<td>Dealership - Office</td>
<td>M</td>
</tr>
<tr>
<td>F</td>
<td>Hyundai</td>
<td>22 May 2018</td>
<td>45:42 Minutes</td>
<td>Dealership - Open office</td>
<td>M</td>
</tr>
</tbody>
</table>

Table 1 Respondent Overview
3.5 FALL-OUT ANALYSIS
The respondents are approached either through a visit, or telephone contact. Firstly, we have approached the single salesman in our network through telephone, after making the phone-call a formal meeting was agreed upon. The other five participants were contacted by visiting the different dealerships in the area between the 7th and the 10th of May. We have approached in total ten dealerships in five different cities spread over both provinces. Four of them were willing to participate and with them an appointment was made and surprisingly one salesperson even had time to do the interview straight away.

During our initial contact, we made it very clear that all the information would be transcribed anonymously implying that nor the name of the salesperson and the name of the dealership would not be mentioned in the transcription or final analysis. Further, we shortly summarized the purpose of this research and explained what has led us to do this research, namely the difference in compensation structure in the US and the potential tensions and conflicts in the sales encounter. For them, the difference in compensation structure was a trigger participate in the research. The same day a confirmation e-mail was sent with a few questions that served as a preparation. Further, the appointment and the confidentiality were confirmed, this can be seen in Appendix 1.

The reason that six dealerships were not willing to participate stems from a different number of reasons. We were aiming to plan our interviews between the 8th and 18th of May. Therefore, two dealerships had during the preferred time horizon no salesperson available to speak to us. One other had confirmed an interview with us but later had to call me because this person later heard about the restrictions from their boss to participate in research. One other was working alone in the showroom and simply could not afford to speak longer than 15 minutes, which is not a sufficient amount of time. Then, one more salesperson had to discuss with his boss if it would be possible but this person never called back. One other dealership could not participate because none of the salespeople were able to speak basic professional English and the last dealership found the idea for this research “very stupid and insulting” and decided to escort me to the entrance.

3.6 INTERVIEW GUIDE & OPERATIONALIZATION
The qualitative data was collected through interviews and need to be coded in order to make sense of the rich data. All the interview questions are based on interesting topics that were identified in the
literature review and the problematization. All of these found themes serve to respond to the question: What are the paradoxes caused by bonus and commission schemes that can lead to tensions and conflicts in dealerships aiming for value co-creation with customers?

In appendix 2 it is possible to find the detailed operationalization but here we shortly summarize how the questions have been grouped in order to better understand the themes that we have found in the literature. The questions are structured in a way that we talk about the dealership first, and we later narrow it down to very specific questions about the sales encounter. With this order, we aim to establish a wholesome picture of the dynamics of the dealership.

In appendix 2 it is possible to find the detailed operationalization but here we shortly summarize how the questions have been grouped in order to better understand the themes that we have found in the literature.

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Questions</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Value Co-Creation</td>
<td>1-3</td>
<td>Regard some characteristics of value co-creation and how this is anchored, created and perceived within the firm.</td>
</tr>
<tr>
<td>2. Bonus &amp; Commission plan</td>
<td>4-7</td>
<td>Regard the structure and incentives on bonus and commissions.</td>
</tr>
<tr>
<td>3. Basic Salary - Low Effort</td>
<td>8-10</td>
<td>Regard the individual salesperson his opinion about the structure and the incentives.</td>
</tr>
<tr>
<td>4. Maximize Bonus &amp; Commission</td>
<td>11-13</td>
<td>Regard the incentives and how their role is for salespeople. Here we try to cover more sensitive topics that could lead to moral hazards, but not necessarily due when appropriately aligned.</td>
</tr>
<tr>
<td>5. Firm Goal of Value Co-Creation</td>
<td>14/15</td>
<td>Regard what customers really want according to the salesperson and if this desire can be reached within the compensation structure.</td>
</tr>
</tbody>
</table>
Table 2: Overview interview guide

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>6. Conflict in Sales Encounter</td>
<td>16</td>
<td>Regards the conflict in the sales encounter. However, more is not needed because the answers that can explain this theme have already been addressed earlier on in the interview.</td>
</tr>
<tr>
<td>7. Sales Tactics</td>
<td>17-19</td>
<td>Regard the sales tactics that salespeople apply in order to facilitate value in use.</td>
</tr>
</tbody>
</table>

3.7 DATA ANALYSIS AND INTERPRETATION OF DATA
Interpretation of qualitative data is very challenging because of the attractiveness of the rich data that has been collected (Bryham & Bell, 2011). The researcher must guard against being impressed with all the rich data that has been collected because it must reach a certain level of usefulness for the community (Bryham & Bell, 2011). For us, it was important to perform the analysis right after collecting the data. In doing so, the context and the meaning of the conversation made it easier to code the important themes.

For this research, we choose to apply conversation analysis. Conversation analysis (CA) is the fine-grained analysis of talk as it occurs in interaction in naturally occurring situations (Bryman & Bell, 2011). The talk is usually recorded and transcribed so that the detailed analyses can be carried out. These analyses are concerned with uncovering the underlying structures of talk in interaction and as such with the achievement of order through interaction (Bryham & Bell, 2011). We have chosen this approach over discourse, narrative and rhetorical analyses because they are deemed unfit because they touch more upon a text, stories and large audiences which we are not researching. In appendix 3 it is possible to have a closer look at how we have come to our coding.

3.8 TRUSTWORTHINESS
Creating trustworthiness is one of the most difficult problems faced by investigators who are committed to interpretative practices, something that is clearly the case in our qualitative research (Schwandt, 2007). One could say that a quantitative approach is more objectively by nature but it is still so that generating any sort of evidence is itself an interpretation that is always rooted in context, background and beliefs (Schwandt, 2007). Fortunately, according to Lincoln and Guba (2007), the real-world conditions of social action programs have led to increasing relaxation of the rules of
Credibility can be established through different forms, prolonged engagement is one of them and requires lengthy and intensive contact with the respondents in the field to assess possible sources of distortion (Lincoln & Guba, 2007). Nearly every interview has been held in the same setting after an initial meeting and full confidentiality was agreed upon (table 1). We could argue that these similarities in approach make for a good view on the field to detect any distortion, also the face to face meeting before the interview could lead to more trust and therefore more reliable data (Bryman & Bell, 2011). Persistent observation is something that could enrich credibility with salient details (Lincoln & Guba, 2007). We have found several of them, for example, the case in which one of the other firms in the region was accused of being “fishy” with finances and tricking customers leading to families unable to pay of their debts. Sharing such salient details could be an indication that the respondent trusts the interviewer. Moreover, triangulation of data would improve credibility and can be established by letting other researchers interpret the transcriptions (Lincoln & Guba, 2007). Moreover, transferability is achieved by bringing forward thick descriptive data (Lincoln & Guba, 2007). Because we have chosen different dealerships with extensive interviews, providing thick descriptive data can be achieved.

To conclude, what stems positively is the full confidentiality that has been provided to all salesman and the dealerships. However, In our case, the interviews that have taken place have had an effect that in some way a relationship with the interviewed salespeople was established and that this could potentially have an effect on what I hear, and what I want to hear. A potentially bigger danger would have been that some of the findings would not be used in order to protect their profession and more specifically their bonus and commission arrangement. This is a challenge all researchers face and require a strong moral compass in order to navigate through these conflicting external values.
4. Results

In this section we present our findings in a very descriptive way before actually taking things into discussion, something that we will do in chapter 5. Here, we identify the potential tensions and conflicts caused by bonus and commission schemes.

4.1 Customer Orientation and long-term relationships

4.1.1 LONG-TERM RELATIONSHIPS

From the results that we have found it appears that in the showroom, the value-facilitation platform, the awareness and understanding of the service-dominant logic is very common. When we asked respondents about long-term relationships with customers the salespeople were almost unanimous in stressing the importance of it, and the following quote illustrates why:

“Absolutely, yeah. It is the most important thing. Next to keeping speed, that is number 1. But uh, absolutely long-term relationships is the most cheap, cheapest way to conduct business (Interview B, 2018)”.

One other respondent mentioned something in similar fashion, and explained us the commercial argument:

“I am very smooth, I do not push any business, I build relationships. I used to say that I do not sell the cars, I just sell myself. Because the customer has to feel comfortable with me. Because if he has a bad feeling in the stomach, he will not buy the car. So I am very kind, I do not push at all. I see that some colleagues do that, but I do not think that it rewards on the long term. It is good for the short term though. But with long-term relationships, you get more business over time without having to work for and that makes it easier for you and the customer (Interview D, 2018)”.

Throughout the interviews, we repeatedly hear that customer orientation and long-term relationships are the keys to doing business in car dealerships. What also comes forward is that the individual salespeople are usually a separate company within the dealership, not by structure but by nature, and therefore they have a very entrepreneurial approach towards business. To sustain relationships salespeople are very much aware that adapting to the needs and demands of the customer will benefit the value-in-use for the customer and create long-term relationships. Moreover, follow-ups
through technology are key in maintaining relationships according to the respondents. Also, in the sales encounter more and more technology is used according to the salespeople. Things like tv-screens, I-pads among others are used to show customers more of the product.

Long-term relationships appear to be very important for dealerships and therefore leasing is often mentioned as an important point of focus for salespeople. However, there are different opinions on whether it is a smart decision for dealerships to engage in the leasing schemes.

““It is very important. It is really important to have long term relationships. We create that through outlook and sales programs. We sell a lot of lease cars and after 26 months that contract is usually over, and at the last 6 months the computer tells you that you have to call them to offer them something in some way (Interview A, 2018)”.

However, one respondent mentioned that he foresees problems in the future that derive from the leasing principle:

“Leasing is a short term solution, it is like peeing in your pants, it starts off nice and warm and then it is a mess. It becomes a mess because dealerships offer a guaranteed pay-back but in a few years we will have a market overflowed with cars that are all the same, and we can not make any money on it (Interview E, 2018)”

The overall argument for why leasing is interesting makes sense, there are frequent touch-points were the dealerships communicates with the customer that can increase retention if done right. Next, to that, a guaranteed income over a certain period of time is in place. However, the market for second-hand cars might face big problems with an overflow of old lease-cars and that will in turn have an effect on the cash-flow for dealerships because they appear to be a very profitable business unit at the moment (Interview E, 2018). One of the dealerships we have spoken to decided to not offer private leasing because it is simply a bad deal for the dealership (Interview F, 2018)

4.1.2 CUSTOMER ORIENTATION
Helping out customers is of utmost importance for salespeople that are unanimously claiming that listening to customers is essential to the job of being a car salesman. A quote that illustrates this best is the following “I have to listen very carefully. It is psychology in a sense, so it is very much like it.
It is like asking if they have kids, if they have to drive far to work, what can it cost and all that. I'm a very patient salesperson, the customer must take the decision by themselves. It is all about the feeling (Interview C, 2018)

Another interesting vision that is heard in a number of conversations is that salespeople do not think of visitors in the showroom as people that are orienting themselves. Salespeople are convinced that the visitor is doing 98% of the work alone at home on the sofa with an i-pad and by visiting the showroom, the customer indicates that he is in a mood to buy. One interviewer mentioned:

“I work to get the car and the customer in here, with advertising and a showroom here and in the city. We do everything that we can to sell the cars. So when we have the customer here, we often sell the car. Because people today have no time, so when they take the time to get to the showroom, they are in the mood to buy (Interview A, 2018) Or “He has made the 98% of the work already (Interview B, 2018)”.

Salespeople acknowledge that they know that customers go online to find everything they need to know about the car and that they will talk to their friends and colleagues to make comparisons and so on, so forth.

4.1.3 SELLING TECHNIQUES
It appears that the salesforce in dealerships actually use their selling techniques in order to provide better value for customers, at least that is what they believe they are doing. When asked, the respondents unanimously answered that they feel that their recommendations were very important for customers in order to make a good choice. They all mentioned that customers simply relied on them for their advice and guidance, after having asked the right questions and a functional analysis of the needs of their customer. A test-drive is a simple trick used by all car salesman to let the car sell itself. Moreover, offers help the salesman.

“It is always about pricing, and everybody competes with pricing and free winter tires and free this, and free that, and people do not really care about it. I think they more care about the feeling for the brand. The level of it, for now for example, the Volvo is pretty cool and everybody wants the volvo, i think it is more like that. But it helps when we have an offer”(Interview E, 2018)
From then on it appears to be important to let the customer believe that he or she is making the choice to buy the car. All the car salesman does afterward is assuring that this is indeed the best choice the customer could have possibly made. To strengthen the glorious feeling of the customer, who has made a difficult but right decision, some salesman offer a good trade-in price for their old cars to distract the customers’ attention from bargaining on the price of the newly sold car.

### 4.2 Payment structure and incentives

#### 4.2.1 EDUCATION

With education, we want to focus on the education that dealerships and brands offer to their salesforce in order to perform better. It has been widely acknowledged that you do not need any form of academic education to apply for these jobs, and so not one of them has a finished degree from a higher education institute. Nevertheless, we do not focus on previous education but solely on the education within the job.

It is mentioned that for more expensive brands wholesome and expensive education is provided for by the brands. For the brands that offer lower-priced cars, those trainings are much shorter and certainly less fancy then the education you receive while working for a premium brand. And the reason why this is more important becomes more vivid when reading the following:

“this last month, we have had a euro group meeting in Ibiza. We have the new A-class coming out and so on. I have been there, and we do it every year. There is people from the whole of Europe, but also Asia and Mexico, so that is really fun. It is really cool, and it is on Ibiza because it is low season. So there is only Mercedes cars in the resort. So it is a lot of driving and good fun. There are no parties, only cars. It can be on different locations, sometimes Berlin, Ibiza, Spain, Portugal, depends also on the cars. I think all the brands do this, but for the bigger brands as Audi, Mercedes, BMW it is more important to be number 1, and all stuff like that. It is needed to do that extra mile (Interview A, 2018).

However, the brands that do not necessarily need to have the best in terms of service can do with less. We got the following response from someone when asked if they received the proper education
“we managed together quite well to get an efficient team with different backgrounds who learned from each other and also we had three owners who are active in the day-to-day sales, sort of like a mentor but not training in that sense that we had euhm a lecture or something, no training weekends or fancy things at Honda (Interview B, 2018)

Education is not perceived as a necessary thing by many of the salespeople, even so, some absolutely deem it unprofessional and argue that it destroys value.

“I know that many of the bigger brands, for example Volkswagen, they have the Volkswagen way of selling, which is designed by a bunch of jerks, who does not know anything about anything. German, typical German bureau guys, with a mid-level executive role. It is a crappy education, teaching young guys and girls that those five steps are the way to succeed. But actually, it is just the two percent you need to help the customer with. (Interviewer B, 2018).

These quotes illustrate the most extreme ends of the data but the other four respondents all mentioned that they receive training every now and then. Most of it takes place in Sweden and does usually not take longer than a day. It appears that most of the training is on new models and other product-related education but not so much on selling and management. It is unfortunate that our interview with Volkswagen was canceled because it appears that their education is destroying value as illustrated by Interviewer B (2018) that mentions that

“its commitment that you do when you start at for example Volkswagen. you have to get through some phases. They have a lot of travels, but it is very time-consuming. And the work does not go away, you have a fun week in Ibiza, you have a hell week when you come back cause you have to make these targets. They are not switching these because you had to make a trip.”

One other respondent also mentioned that he had made a trip to the Mercedes museum and he mentioned that it is brainwashing in an innocent way. The means of the brand are arguably so that they think it will help customers when the salespeople know everything about the brand and the product. However, meeting with a salesperson that is behind on his targets because he had to participate in time-consuming education might create tension in the sales encounter.
4.2.2 INCENTIVES FROM AND WITHIN THE COMPANY

It appears that incentives have a large effect on the car salesman we have spoken to. Not only in the form of bonus and commission schemes but also on a more social aspect. Salesman observe each other daily and it is common knowledge who is performing well and who is not. This tension is best illustrated by the following comment “We had a white board in the lunch room. So we could follow annually the ransom that was made, so that was also a pressure point. sitting in the lunchroom after a bad week, and see the other staples growing higher and higher, so that was really practical (Interview B, 2018)

Measurement was often limited to a conversation about performance and it appears that not more substantial feedback is given within the salesforce. Because a car salesman is only as good as his performance, according to the salespeople, a more refined analysis is often not in place. However, premium brands appear to have more sophisticated evaluations that measure customer satisfaction. However, it also appears to be reported digitally and not through face-to-face interaction which feeds the assumption that little substantial communication is in place between the salesforce and the management. This is further illustrated by comments from Interview C (2018) “We have a conversation once a year. Also every month we take a moment with the boss to talk about your sales numbers. I need to sell about 345 cars a year, and i always reach it. And sometimes, I sell much more (laughs).”

For the salesforce, a lot is done to make them perform at their best and that is further illustrated by the extras companies offer besides the bonus and commission schemes that are a part of their contract. Some of the respondents mention that there are smaller incentives in the form of internal competitions by brands and dealerships to increase performance on certain parameters. The following illustrates one of these occurrences

“So now we have a lot of Renault in stock, so we have a small contest. one who sells the most gets an I-pad, so small things like that. There is also competition from the general brands, Volvo and Renault with trips, and if you’re gonna sell an insurances and loans and sometimes it is so many competitions at the same time that you can not focus but still always win something(Interview E, 2018)”
But other incentives seem to be in place as well. All respondents mention that they get a company car, which is in most cases a car that the dealership will buy back in six months which allows the salesman to drive a new car every six months. However, one dealership used the company car as a clear incentive to perform stable, and on a high level. When having top scores, it is possible to drive a Porsche which gives most salespeople pride and a sense of reward for hard work. However, when performance drops, even in two months, the company will take the car back and exchange it for a car that is more in line with the performance. The image that arises from these smaller incentives is that the market is very competitive and a tool for the management to control their business goals and their salesforce.

Another aspect that is mentioned more often is the importance of stock for salespeople. Salespeople need a certain amount of stock in the dealership to be able to sell by providing customers with their desired model. For dealerships, having a certain amount of cars in stock could mean a positive signal towards the salesforce. The following quote illustrates why:

“We want very much cars in stock because it is much more easy to sell when you have the product in stock. People like to buy a specific car so that they can drive it before buying and they receive fast delivery (Interview D, 2018)”

Next to that, campaigns and fast delivery are tools that the salesforce clearly see as an incentive to increase their performance. They also mention that they need these incentives to be able to increase their sales performance for the dealership.

4.2.3 INCENTIVES FROM BONUS & COMMISSION SCHEMES

The most important component of their monthly income is based on bonus and commissions according to all salespeople. The results show however a large variety of income which feeds the assumption that every dealership has a different approach from the others and that this has a large impact on the monthly income of the salesman. An overview of the income can be found in table 3 on the next page.

For some salespeople, the basic income is too low and because they do not sell a large number of cars, the payment structure has implications for the household of the salesperson when the targets are not being reached. However, some salespeople report high basic salaries that are three times as
high as the one that is paid the lowest amount. One other respondent mentions that he simply does not care about the basic salary because he will always sell cars and thus make the amount of money that he needs to support his household. Two of the respondents did not want to specify their income but mentioned that it is rather good and satisfies their needs. That there are large varieties is illustrated by the following quotes and the table that follows.

“I am not satisfied, because I have to meet the targets to support my family, so there is a bit pressure sometimes. It is very low, because they want us to sell as many cars as possible. It would not be enough to support my household. And I have a family that lives on it, so I have to sell 15 cars each month to make enough money (Interview D, 2018)

“We have 12000SEK basic salary, that is just for showing up. And last year I had maybe 100000SEK each month, so that is a good salary. So you can study hard, but then you do not make that much. The average salary in Sweden it is around 30000SEK a month. I pay 55% of tax though. If you make over 50000SEK a month, you start paying 55% salary, so they keep us down. We make more then a doctor though, just for selling cars... (Interview E, 2018)”

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<tr>
<th>Respondent:</th>
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<tr>
<td>Basic Monthly</td>
<td>X</td>
<td>SEK 38000</td>
<td>X</td>
<td>SEK 12500</td>
<td>SEK 12000</td>
<td>SEK 15000</td>
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<td>Commission On average Monthly</td>
<td>X</td>
<td>SEK 22000</td>
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Table 3. Payment Structure for respondents

The commission that the salesforce gets is different in any situation. They are often based on volume but the incentives that derive from it are very different. Here follows an overview of the commission structures.

| A | In this dealership the salesforce works with a group-bonus. Next to that individual commissions are given for each sold car. The commission per car is different and is dependent on the price of the car. Here, there are extra commissions for extras such as selling winter-tires, the finance program and other standardized programs. |
Salespeople report that they all would do the same effort if they would not work with these commissions. Some compare it to a previous job where they had to sell products without commission, and others mentioned that they were passionate about their job and helping customers. A salient picture emerges when the respondents were asked if they could work with just a good basic salary or no commissions. Here, the quotes serve best as carriers of the salient information:

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<td><strong>B</strong></td>
<td>Only a commission is provided when the minimum target of twenty cars sold is reached, and then there is a standard commission for each car sold. There are no extras that could ad up so there is a clear incentive to focus on volume selling.</td>
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<td><strong>C</strong></td>
<td>Here is another type of bonus and commission scheme, were there is also a payment for each car being sold, but there are different commissions on different cars were the commission is based on the model. In this case, odd cars and expensive models are more rewarding for the salesperson.</td>
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<td><strong>D</strong></td>
<td>Each sold car is rewarded with the same commission of 1500SEK. This linear pattern can be enriched with extra commissions that can be awarded from selling winter-tires, the finance program and other standardized programs.</td>
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<tr>
<td><strong>E</strong></td>
<td>Here we also face the situation where the salesperson will be paid for each car that is sold. But we heard that this could range from 400SEK for a sold car to 9000SEK for another car, including all the extras. Respondent E also mentioned that sometimes this large gap in payment leads him to push a customer towards a new car, instead of a second-hand demo version because his commission will be significantly higher.</td>
</tr>
<tr>
<td><strong>F</strong></td>
<td>In this dealership 1500SEK/2000SEK is the commission for selling a car. It is almost the same for every car. You have one sum for new cars, and one sum for used cars. 500SEK extra for a new car, and you get a little extra bonus when you sell a car that is more exclusive which costs more then 25000SEK. There is an extra bonus if you sell more then 14 cars each months. The pattern is similar to a ladder, so when you sell 16, 18, 20, 22 etc. for each car after 14 you get paid an extra bonus over each car that is being sold. For example, after 14 cars, you get an extra 1500 SEK, and after 16, an extra 2000 SEK.</td>
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Table 4: Overview of bonus and commission structures

Salespeople report that they all would do the same effort if they would not work with these commissions.
I would work slower if I do not get a commission. I would not do this much effort. I must have a commission, so I do not want something else. I want this structure, because it helps me to push myself to sell cars (Interview C, 2018). The following contradicts it even more: “I like the percentages that we have. A small payment and the possibility to make a lot of money that is better. Otherwise everybody would have the same salary, that would not be rewarding. (Interview E, 2018)"

Another incentive that is of high relevance are the targets that dealerships and brands set for their salesforce to increase performance. This pressure is widely acknowledged by the respondents as being crucial for their performance. In some dealerships, it appears that the targets are hard to reach and sometimes they are just impossible according to the salespeople. One respondent mentions that the target is so hard to reach that it gives the person stress because not reaching the targets automatically means a shortage of money to support his household. One other respondent mentions that it is impossible to meet the targets of the dealership because they are in conflict with the target of the brand, however, not meeting the target is not a problem for this respondent both in terms of finance and job security. Four other respondents all mention that meeting the target is not so hard and that they always make it, and that the rewards for it are significant to them.

4.3 Moral Hazard

4.3.1 ORGANISATION
On the organizational level, some interesting and salient tensions and conflicts arise. One of the most interesting findings has been the relationship between car manufacturers and dealerships. Even though we have only been speaking to licensed dealerships, we find that being licensed does not imply that there is any coordination of bonus and commission schemes from the brand. Therefore, the brand level that emerges is one of our most important findings because here tensions and conflicts arise because of the paradox that is in place.

There is sometimes a conflict between the dealership and the brand. The dealerships have different targets then the brands they sell for. The conflict often comes from the amount of service that the salesforce can offer, because time is a limiting factor. Especially for premium brands, service must be very high and that requires frequent follow-ups on sales and staying in touch with customers over time to help them with several issues. Also, brands want the sales encounter to be perfect and a
treat for the customer, however, this takes time and it is reflected in the targets and room the salesforce gets. One of the respondents mentions the following:

“We have a problem though, because my dealership is one company, and Mercedes is one company. they don’t have the same goals. My dealership wants to sell as much cars as possible, they are all about volume. And Mercedes wants to sell less cars, that is not true, but they want to have more quality on the business. We have a customer satisfaction index and that must be 100% and so you understand the difference. If Mercedes wants us to sell 10 cars every month, my dealership wants us to sell 20 cars. That is a problem. Because ..... to work with the Mercedes policy, it is not so easy to work for my dealership (Interview A, 2018)”

From other results we have, we can see that for example training for salespeople are therefore not as valuable as intended, and brings ambiguity to the salesperson on how to act in the sales encounter. In the case of Mercedes we could even speak of value-destroying behavior when a person will take a few days to travel to Ibiza to enroll in training programmes and will do plenty of test-drives but he will have to compromise on sharing this experience and knowledge due to the different goal of the dealership, namely increasing volume.

Team-Performance is often mentioned as a rarity in car-business, however, two of the respondents mentioned the uniqueness of their team-composition in their dealership and the benefits that derive from them. In this particular case, it appeared that the salesforce internally solved problems and supported the members that were performing less throughout the month. One other dealership reported a structure where all the commercial activities were executed by the salesforce.

“….we already do everything ourselves. So from marketing, sales, we do the buying of the cars and we do everything else. We do the photos of the car and so on, so forth. We do like that because you make your own day. We have worked in isolated sales functions before in other companies, but this is more enjoyable and we can offer the customer more. Here you have more control. He does what he does best, and I do what I Do best. And we both do that, and that is very rare, but really enjoyable for us.”.

From the two respondents, we learn that team-composition is very important to reach actual team-performance. That this sometimes works the other way is also illustrated
“I would prefer it if we get a commission together as a team because we would help each other more and feel less pressure. You sometimes face a little bit of competition and stealing on the sales floor. You can say that each salesman is one company, and this is not good. You should work together I think, I know that some of them want to have higher salaries as well (Interview D, 2018). Moreover, stealing appears to be a common problem in car dealerships. The opinions vary from mentioning that “it is simply a part of the game and the customer must not see it”, to “it really makes you feel like you are alone in the company”.

Another familiar story that is heard of is the tale of sharks and little fish. Some of the salesman that is spoken to present themselves as sharks, people that have the most power on the sales floor and act with confidence. During the interview, it is mentioned that some salespeople have the time to actually help a student with an interview because he is already making his targets and therefore can be a bit more generous with his time. One salesman mentioned the following

“We have still a little bit of competition, that is also part of the game. We sometimes see stealing here, but it is a big problem in many car dealerships. it is a problem when you are a smaller fish, and not a shark. You feel it when you are out and when you meet a shark. When you talk to little fish you do not have time to talk like this. The other goes out to face all the customers, and the sharks patiently waits. I’m a shark, have you not felt it? Because have you not been in other dealerships and felt that he is a shark or not? The smaller fish can not do these conversations (Interview A, 2018)

Although it is not part of the recorded data, the idea of all the other dealerships that did not want to participate in the research due to various reasons fed the assumption that this could actually work in practice.

4.3.2 CONFLICT IN SALES ENCOUNTER
There are conflicts and tensions in the sales encounter that are mentioned explicit and implicit. It is for example mentioned in most interviews that customers need a little push to make a decision and that this is part of the job of the salesman. However, we can only see the tension here because the recordings indicate that it is quite rare for these respondents to experience great trouble when giving a little push. “We hope so, that is our job to do. We talk to them and we try to really help them, and
say which car they should really take. We also say you do not need this and that, and that creates trust among the people (Interview F, 2018).”

As mentioned, some conflicts arise because of the incentives and one of these is being close to the target with the end of a measurement period coming up that sometimes means little less regard towards customer needs is expressed. This can lead to more pushy behavior, or sometimes not fully committing to the needs of the customer. But I can do nothing, if we are one car from the target, I can do nothing about it (Interview A, 2018).”

Another type of explicit conflict derives from the different commissions that call for a push towards a somewhat different car. One comment could not illustrate the problem better

“because mostly, the most conflict is when the customer wants to buy a used XC90, and i get 500SEK commission, but when I sell him a new one I get 6000SEK. So I need to sell 12 second hand XC90 to get the same if I sell one new XC90. So if he looks at a demo car that is six months old, I really help him to choose the new one (Interview E, 2018).

We could argue that buying a new XC90 is not so much of a problem, but it shows the effect that commissions have on salespeople when facing choices that affect their own income.
5. Discussion

In this chapter, we will connect the literature to our findings and perform the analysis. From the results, we have seen that tensions and conflicts are in place. In this section, we will connect the results to the literature and explain the situations. We identify a number of paradoxes that lead to tensions and conflicts.

5.1 THE MANAGEMENT CONTROL PARADOX

Our research was built to see if bonus and commission schemes have a role in value co-creation and if any tensions and conflicts occur. We start our discussion with amplifying that management itself can sometimes create more tensions and conflicts than it solves, even though solving tensions and conflicts arguably was the desired outcome (Nilsson et al, 2016). We find that in South-Sweden the incentives are different from those that are in place in the US and that illustrates the relevance of our study. Earlier on we found that sales performance has become much more top management oriented and much more analytical (Terho et al, 2015). This correlates with our results that all salespeople face control measures that are not cohesive and often create a paradox. Not only are the job reviews solely based on sales performance, the bonus and commission schemes have become so advanced that they require stronger analytical capabilities to properly guide the moves of the salesforce. Here, however, it seemed that much of these analytics and incentives are so abundant that salespeople do not know how to bring focus to their sales encounters because it will benefit them anyway. In this case, the top management of both dealership and brand need better coordination and alignment to make the bonus and commission scheme effective in relation to the behavior of the salesforce. Here, The spatial separation as identified by Poole et al. (1989) explains the paradox because of the design and allocation of the rules and resources and explain the tensions or paradox that derives from it. The system, however, is influenced by these decisions, but not in the direction that the top management has intended. Within organizations, people have different responsibilities and so an internal paradox on different levels appears which has a dramatic effect on the execution of sales strategies.

Moreover, a strategy is a pattern that evolves over time and is necessary to achieve goals and we have discovered that dealerships and brands try to do so but fail to effectively use the capital allocated to bonus and commissions because there is little coherence in them. A large number of monetary incentives are given to the salesforce in order to embody these strategic goals, but according to most salespeople there is little coherence in how they are given, and thus the strategic
goals fail (Snow & Hambrick, 1980). Some dealerships execute their bonus and commission strategy by means of an easy structure with a certain commission and extra bonuses, and this straightforward mechanism allows the salesforce to focus on very straightforward strategic goals. However, in some situations, the abundance of extra commissions lead to overstimulation of the salesforce that becomes passive as a result of the easy income that is generated anyway. From the brand and dealership perspective, a large number of specific commissions might feel like they are in control of what the salesforce is focussing on, but the salesforce appears to be quite skillful in navigating towards a good income. According to Holmstrom (1979) the absence of monetary rewards are also incentives and this principle arguably seems forgotten at some of the brands and dealerships that act like every form of performance should be rewarded even though the opposite is happening in practice.

5.2 THE SOURCE OF VALUE CO-CREATION: BRAND - DEALERSHIP PARADOX

It appears throughout different stories that dealerships have different targets and focus points for their salesforce then it is intended by the brands. This misalignment of goals is potentially catastrophic for the intended value co-creation by both brand and dealership and with that, the customer is negatively affected as well (Snow & Hambrick, 1980). It is most interesting to have explored how advanced empirical studies (Snow & Hambrick, 1980; Basu et al, 1985; Krakel & Schottner, 2016) stretch the importance of strategic alignment to give incentives that are designed according to the strategy of both the brand and the dealerships. In practice it appears that the lack of alignment leads to poor practices, negative spillover, and moral hazards. These poor practices come for example from the gap between ambitions in terms of service, the negative spillover due to bonus and commissions that are so high they could negatively affect the productivity of the salesperson. It is surprising to see that in a market this competitive, little attention has been paid to this significant topic. To prove our point here, the finding that there is no coherence in the commissions show that the already available theoretical knowledge is not always used in practice.

We argue that dealerships and brands could save a lot of money on bonus and commissions and that it would arguably not lead to a decrease in performance. The team composition paradox is arguably not harmful because the abundance of bonuses keep all members of the salesforce satisfied, but the price for this satisfaction is high and could potentially be solved through managerial practices. Moreover, In line with the compensation theory of Basu et al (1985) the compensation plan should be designed to improve the sales performance and it thus not so that monetary incentives automatically lead to increased performance. The bonus and commission scheme should help to
close the gap between the dealership and the customer’s specific needs but this appears to be only monitored in terms of sales numbers and customer satisfaction and further observation seems absent (Krakel & Schottner, 2016). From a brand and dealership perspective, it seems sometimes as if the commissions on extras are there to pursue certain smaller strategic goals, but in the bigger picture they arguably do not make that much sense in some of the cases that we have seen. The spatial separation could be used to clarify this issue, because within organizations, people have different responsibilities and so an internal paradox on different levels appears when isolated functions that think they give the right incentive in turn negatively affect the overall strategy because they have conflicting goals. Another paradox and future tension arise from the growing number of leasing schemes. Respondents mention the positive effects for dealerships such as a stable income and frequent moments of communication but some respondents fear the coming years where the second-hand market will be overflown with similar lease cars. Here, a tension is in place because the so-called stable income is now being provided with the income of very lucrative second-hand cars. To conclude, even though bonus and commissions are so common they still seem to have flaws because the rational argumentation behind it is probably not working in full effect in practice and the principle is explained in previous research were it has been shown that people not always make use of all the information that is available (Post, van den Assem, Baltussen, & Thaler, 2008; Massey & Thaler, 2010).

5.3 DEALERSHIP - SALESFORCE PARADOX
A salesforce is deployed by the dealership in order to execute the strategy by facilitating value-in-use for customers. In order for a salesforce to execute the strategy at a good level, they need leadership in many different aspects. Zoltners (2008) identified needs for salespeople and it appears that each one of them is in some way taken into account by dealerships and brands. The paradox exists because by facilitating these needs a paradox can be created because there are tensions and conflicts in the actual means by which the needs are satisfied. (1) **Clear roles and territories** are for all salespeople that we have spoken to very clear. (2) **Skills, capabilities, and values** are provided for through education, training or mentoring. However, what actually helps the salesforce to perform at maximum performance is something that is open for debate because the respondents have different opinions about what works best. (3) **Customer knowledge and know how** is something that all respondents see as a skill that is mostly developed while working in the sales encounter, so not much training is actually needed according to some respondents. (4) **Being motivated and inspired to succeed** is something that we do not see happening a lot, the monetary
incentives should be sufficient for the salesforce to make the targets and it appears to work. (5) To have activities directed in appropriate ways is also being enforced by evaluation schemes, and bonus and commission schemes in order to create a rather solitary functioning salesperson. Moreover, this solitary status within a dealership is perceived in different ways but the overall notion appears that salespeople like to be part of a team to be able to identify with the dealership (Ashforth & Mael 1989).

Education is important for the salesforce to develop skills, capabilities, and values and learn about new models that are released. This is in line with the findings of Zoltners (2008) but it conflicts with having activities directed in appropriate ways when the targets are not corrected for the time being absent due to training activities. It is these small misalignments that potentially creates moral hazards. Moreover, the findings suggest that performance measurement on the salesforce is strongly rooted in results. This strengthens the idea that a salesperson is only as good as the number of cars that have been sold. Thus, being non-flexible with targets potentially has a dramatic effect on the individual salesperson who will face unrealistic targets in one week, and we can connect this to our finding that households depend on the income and salespeople care less about customer satisfaction when the target is close. Furthermore, targets have been proven hard to reach as indicated by Ahearne et al, (2016) and sometimes they prove impossible. For dealerships that emphasize the importance of customer satisfaction and long-term relationships, it is unwise to be inflexible with targets.

5.4 BRAND - DEALERSHIP: THE POWER OF THE RETAILING FUNCTION
Bonus and commissions have proven to motivate and guide salespeople towards high effort and that confirms Churchill et al (1993) findings that these incentives are designed to motivate and guide salespeople towards strategic goals. Moreover, offering products according to the customers’ everyday process and how they affect their lives is mentioned by Gronroos, (2015) and dealerships and brands are guiding their salesforce towards this strategic goal because it also increases the value of their organization. However, some results show that the brands and dealerships are very reliant on the salesforce to find the suitable products for customers and that there should be a more service-dominant logic in place at the brands and the management of the dealership. This is in line with the findings of Kim et al, (2015) that the retail function of dealerships, in this case, is important. Increased awareness of the daily practice of the showroom in the management team could further strengthen the value facilitation platform. Moreover, Ingram et al, (2002) mention that creating
value for customers usually requires more time and a long-term approach and this can be best achieved by clear incentives towards salespeople. Here is only little conflict because all find long-term relations to be very important and the salesforce admit that returning customers represent a significant part of their business. We could speak of the opposition paradox because the tension that between choosing for long-term value and short-term gains is acceptable and productive at the same time (Poole et al, 1989).

One possible explanation for this acceptable paradox is that we previously identified the problem that US car salesmen only get paid per sold product whereas it is legally required for Swedish dealerships to offer a basic salary (Teknikföretagen, 2012). This appears to have an effect on the behavior of the salesman in our sample that therefore feel safer and allow themselves to think about the long-term effect of their behavior. Therefore we could argue that the basic salary is very important because according to Weitz (1981) and Predmore & Bonnice (1994) being flexible, adaptive and able to create long-term relationships are the key for salespeople and firms alike to succeed in the marketplace. For dealerships, this indicates that there are great benefits in securing their salesforce with a basic salary because it guides the salesforce towards a long-term approach to customers with probably higher quality on the business.
5.5 CUSTOMER AND SALESPERSON - LONG-TERM AND SHORT-TERM TENSIONS IN THE SALES ENCOUNTER

A sales encounter itself is by nature a social event with unknown outcomes that vary between value-co-creation and value destruction. But bonus and commission schemes would not have been designed if the results that stem from strong empirical evidence find that it is possible to create incentives. One crucial finding appears to be the effect of evaluation schemes right after sales as a balance weight for unpleasant behavior in the sales encounter. Gallup inc (2017) mentioned that car salesmen are perceived as the least trustworthy professionals around, but this seems not in place in South-Sweden. Many of the salespeople are aware of the importance of long-term relationships and the potential value-in-use that derives from that and they unanimously foster this because it also creates a long-term income for themselves. The measurement of customer satisfaction appeared to give constantly high scores and from the respondents we have learned that dealerships and brands value customer satisfaction equally important as sales numbers. The study by Gallup inc (2017), could possibly give different results in a Swedish setting based on our results. Moreover, honesty is deemed very important in every dealership we have spoken to but they blame other dealerships for not being like that and that their dealership is a rare example. These comments contradict the fact that all dealerships in our sample mention to having high ethical standards. One situation was particularly salient were in interview B (2018) it was mentioned that “You do not sell the expensive car to the single mom with two kids. you have a moral compass that you do not screw the customer” and in interview E it was mentioned that they had customers from a certain dealership, the one that appeared to be the dealership in interview B, “were crying out in their dealership because they got into a loan that they could not afford because the rent on the deposit was so high and that the dealership had a ‘fishy’ scheme that many people spoke about”. According to (Holmstrom, 1979) this would be a textbook example of a moral hazard were the customers has a lesser comprehensive view on the sales encounter and the deal then the salesperson and the dealership have. Our findings do suggest that things go wrong in the sales encounter so we deem it important to discuss the salesforce.

5.6 THE SALESFORCE ILLUSTRATED BY SHARKS AND LITTLE FISH: A PARADOX IN THE SHOWROOM

In the results, we discovered that team-performance is often dependent on team-composition. The story of sharks and little fish portraits the paradox in the showroom. In the study by Jansen et al, (2009) the Dutch dealership chose to not give individual commissions because it would increase
competition among members of the same team. In our sample, the individual commissions have been mentioned sometimes as a negative aspect of their work, but the arguably unintended abundance of commissions and bonuses in most dealership create a lesser harmful paradox. However, social pressure and strict performance measurement might keep the tension alive even though the monetary aspect appears. Social pressure is a potential danger for dealerships because it creates internal competition and pressure which can be felt by the customer. Social pressure is something that can generate negative effects for the salesperson as well. When a salesperson frequently performs at a lower level, the tension that is created can lead to unpleasant practices that are felt by customers. If these tensions even lead to small conflicts by means of small public humiliation it fuels the tensions that can lead to a moral hazard. Fueling a moral hazard is something we do not recommend if value co-creation is the desired market approach.

5.7 THE PROFESSION OF THE SALESPERSON AS A BREEDING GROUND OF TENSION
In every paradox and perspective, the value-in-use is in some way related to the salesperson who is responsible for the execution of the transaction. It is for this reason that so many paradoxes evolve around this person, the sales encounter is the breeding ground for tension. One remarkable finding appears that the salespeople in our sample quite often mentioned that they are driven by their job-satisfaction and satisfied customers. However, some of them mentioned a few minutes later that they would not like to work without commissions. Although it appears that salespeople, in general, find it difficult to make their targets and potentially have a shortage of money in their households, salespeople want to work with the commissions. This could be so because a commission creates the feeling of reward for high effort, something they do not often get in their performance reviews (Kräkel & Schöttner, 2015). It could thus be so that this seeming paradox makes sense after all because it creates value for the salesperson on an emotional level as well as it creates value for a customer, after all, salespeople are human too.

The salesforce perceives modern customers as a rational man in a way that Edwards (1954) described it over half a century ago. Respondents mention that all the people do their homework before stepping into the showroom, indicating that they are in a mood to buy. Here, the salesforce assumes that they know as much as their customers because they seem equally informed (Holmstrom, 1979). However, selling techniques and the experience of salespeople create a situation where this is not the case and thus a moral hazard is in place and this tension might lead to a conflict in reaching the highest possible value-in-use for customers. We also learned that people
evaluate these losses and gains using certain heuristics, and this is not only the case for customers but also for the salesforce itself by adjusting the level of morality in their work by using their own gains and their image of the customer as part of the heuristics (Kahneman & Tversky, 1979).

From our respondents, we heard acknowledgements that mistakes sometimes might happen because car salesman can do wrong also. Being tempted by great rewards, but being faced with the challenge of providing value-in-use for the customer, these sales encounters bring tension to the showroom, every day. Although all respondents appear to be very honest in their encounters with customers there are many hints that lead to the creation of a moral hazard and this is in line with the literature (Holmstrom, 1979; Kräkel & Schöttner, 2015). Moreover, to find the right product, a customer needs a little push sometimes according to the salesman. It is this decisive moment that has the power to create and destroy value within a split-second. A parallel can be made with military forces that face extensive training but being faced with an enemy have to make decisions within a split-second, quite often leading to serious conflicts all parties involved. In this, the spatial separation paradox the tension is created by incentives that help the dealership, the brand and the salesperson itself in combination with the will of the salesperson to help customers make good buying decisions (Poole & Van de Ven, 2009). This is a difficulty all salespeople face numerous times in a day which make being salesperson a very sensitive profession.

But this is not necessarily as much of a problem as it might appear, because we have also learned that customers rarely have one dominant orientation and consequently different products and approaches could satisfy the true needs for the customer, because they are not perfectly rational as well indicating that indeed a different color or engine is not so much of a problem (McFarland et al, 2006; Post, van den Assem, Baltussen, & Thaler, 2008; Massey & Thaler, 2010). For example, one respondent mentioned that they are not able to offer a certain model with air-conditioning and parking assistance and the neighbor that sells a similar car with those options for the same price will not be mentioned as an option. When asked upon by customers, they could steer the customer into their favorable direction of selling one of the cars without these extras, which parallels the story of Simon (1955) were due to changing environments certain decisions are altered by customers. However, these aspects combined create a favorable position for both the salesperson and the customer. Here it is most useful to accept the paradox because it naturally occurs in the sales encounter (McFarland et al, 2006). Because the respondents that mention the customer satisfaction measurement scheme all report scores of over 80% in satisfaction, with colleagues in the respective
dealerships reporting nearly similar scores, the picture appears to favor the approach of the salesforce here in South-Sweden but this analysis also clearly indicates the many tensions and conflicts being faced by the salesforce in the sales encounter due to the incentives. Overall, from theory things appear to work well. In practice, many tensions and conflicts arise.

In figure 4 it is possible to see the model that illustrates how bonus and commission schemes cause paradoxes that can lead to tensions and conflicts in dealerships aiming for value co-creation with customers.

![Figure 4. Final Research Model](image-url)
6. Conclusion, Limitations and Future Research

6.1 CONCLUSIONS

We have aimed to explore tensions and conflicts in dealerships and with our sample from South-Sweden we have managed to find interesting results. Jansen, Merchant & Van der Stede (2009) performed a study in the US and made limited comparisons to a small Dutch sample. We have added new insights and have come to different conclusions while exploring a different European country with different incentives structures. In this research, it has become clear that the role of bonus and commission schemes in value co-creation is a very vivid one that creates a lot of tensions and conflicts through the existing paradoxes that cause agency problems (Kahneman & Tversky, 1979; Eisenhardt 1989).

Our first conclusion is that management itself has a control paradox that stems from individual goals that are not in line with overarching strategic goals. Furthermore, we have discovered that dealerships and brands creates potential value-in-use and that their collaboration create a value-creation platform. However, misalignment of strategies leads to the creation of unwanted incentives. The brand has a unique relationship with the dealership. The dealership embarks the power of the retailing function and needs to execute this role at best to stay in business which is in line with Kim et al, (2015).

The dealership and the salesforce are constantly in a paradox where both of them are very reliant on each other, but both clearly need to take care of their own interests. This is something that is very common in agency theory and it shows in practice, something we aimed to discover (Eisenhardt 1989, Powell, 1986). However, the dealership employs the salesforce to execute the strategic goals into valuable propositions for customers, a position which strengthens the agents position (Kahneman & Tversky 1979). The customer and the salesperson create a sales-encounter. During the process long-term and short-term gains for the salesforce create tensions in the sales encounter which can lead to value creation and value destruction as a result of the profession of the salesperson as a breeding ground of tension. This tension is further illustrated by the story of sharks and little fish were different types of characters can create a paradox in the showroom. This is in line with the idea of Jensen (1993) that everything in organizational life is about self-interest. This self interest can lead to moral hazards in which personal gains have to be in line with a customers desire.
Overall, it appears that bonus and commission do have a positive effect on value co-creation because they align strategic goals potentially well. For dealerships and brands, the alignment of strategy and bonus and commission schemes is very important because it can create more value for themselves too, leading to a stronger value-creation facilitator that can serve their customers better. However, there are still plenty of conflicts that can lead to a weaker sales performance and a potential value destroying sales encounter. Some of the tensions and conflicts that have appeared are not dangerous but a part of the system. Some, however, come from the misalignment of rules and conditions.

6.2 LIMITATIONS
The limitation of this study mainly concern the results which are not generalizable to a larger audience because our sample of six salespeople in the South of Sweden is limited. As Eisenhardt (1989) and Powell (1986) proposed we have extended agency theory with rich and complex data. However, an image of a different market then that of the US has been illustrated in-depth and the results could serve as a starting point for quantitative research in a larger region or country. Moreover, tensions and conflicts have been discovered that call for quantitative research to research if we have simply stumbled upon unfortunate practices or actual problems that stem from theoretical flaws. Hence, this study has a specific focus on dealerships but academic research could benefit from similar research in different types of industries or organizations to discover patterns that create a larger picture (Eisenhardt 1989, Powell, 1986). Although we have focussed on tensions and conflicts, a large number of results point towards positive practices that stimulate value co-creation. At last, this particular research has been conducted from start to finish in little more then a month. More time for deep reflection could potentially create a stronger analysis.

6.3 FUTURE RESEARCH
The most obvious thing to research would be to enrich the current research with data from different sources such as the customer perspective, sales managers perspective and the perspective of the manufacturing brand.

For this research, the cultural factors have not been taken into account at a strong enough level to really perform an analysis on. However, in the results, the distinctive culture here in South-Sweden was mentioned more often as something that arguably has an effect on behavior in the sales encounter. One of the things we found is that the salesforce is not pushy here in Sweden but rather
the opposite. In interview F (2018) it was mentioned that actually seeing the customer and greeting him is perceived as a competitive advantage and in interview E (2018) it was mentioned that in their dealership it was a problem that salespeople are not pushy enough, to such a degree that it actually frustrated potential customers and that is something that arguably does not strengthen the value-creation platform. A deeper understanding of the influence on culture would enrich the understanding of the service-dominant logic.

The most surprising paradox that we discovered in our research has been that of the brand and the dealership. We did not take this paradox into account when starting off with this thesis but along the way, all signals pointed towards this relationship as very sensitive for paradoxes. This unique paradox calls for more detailed research and we would be delighted to see further research in this particular paradox.

Stock and campaigns among other selling-tools have appeared to be very important for salespeople in the showroom. This is of relevance because this has not been identified in research before and could serve as an interesting research topic. This is not only interesting for retailers that have actual stores and showrooms but also for online retailers.

6.4 THEORETICAL CONTRIBUTIONS
In our aim to contribute to the field of international business and marketing we have elaborated on a variety of topics which are deeply rooted in agency theory. Although much of the literature that we have assessed not explicitly mentions the attendance of agency problems there are many relations that lie beyond that was has been mentioned. One of the premises of this thesis as stated in our problematization is the contribution to agency theory by developing testable implications in a practical setting. With having done so we are now able to expand on the relationship between bonus and commission schemes and value co-creation because it is frequently brought forward by the recipients in our sample that bonus and commission schemes are very effective in guiding their efforts towards co-creating behavior. Although the latter hints at a simplification of the findings, we here only aim to express the overall consensus in our findings.

According to Deutsch (1990) researchers have not concentrated on finding causes for conflict in organizational theory. Our main theoretical contribution would be that we have been focussing on one potential cause for conflict that can be caused by management practices. Because the bonus and
Commission schemes are so common in research and in practice this contribution is of interest for a large number of researchers and managers alike.

6.5 MANAGERIAL IMPLICATIONS
The results of this research are of relevance for organizations and managers alike because it has been shown that bonus and commissions seem to lack in consistency in practice. For brands and dealerships, there is the potential to re-evaluate the bonus and commission schemes and potentially save significant amounts of money. Even more important is the effect we believe it has on the sales encounter because that is where the value is created for and by the customer.

Managers should also be aware of the tensions in their salesforce that stems from the incentives. These tensions are potentially dangerous but could be solved.
7. References


Hölmstrom, B. Moral Hazard and Observability. The Bell Journal of Economics Vol. 10, No. 1 (Spring, 1979), pp. 74-91


The Role of Bonus and Commission Schemes in Value Co-Creation: Exploring Tensions and Conflicts in Car Dealerships - Bram van Kleef


8. Appendix

In this section our appendix will be presented.

8.1 APPENDIX 1: CONFIRMATION E-MAIL

Dear XX

It was great to meet you earlier today and I would like to thank you in advance for participating in this research. During the interview I would like to talk to you about the role of bonus and commission schemes and value co-creation. Value co-creation is a marketing principle which centers the customer as the creator of value in the sales encounter.

As discussed, I have a few questions for you that can serve as a guide for what we will discuss. There are other questions as well, but I will ask those during the interview.

- Do you feel that long term relationships with customers are important within the dealership you work for?
- Does the salesforce receive training, coaching or other related education?
- Can you tell me how your company structures the payment for salespeople?
- Can you tell me how your company uses incentives to increase your performance?
- Can you tell me how your periodic review is being done?
- Do you feel that the targets are realistic?
- What type of activities are included in the basic salary?
- What type of offers do customers usually appreciate?
- What type of behavior by the salesforce usually converts to a sale?
- Do you feel that your personal targets are in conflict with what customers want?
- Do you feel that the communication between you and the customer improves the firms goals and your own targets?

As mentioned, the interview will be treated with confidentiality which means that neither your personal information nor the information of the dealership will be mentioned in any way.

Looking forward to see you on XXX the Xth of May at XX:XX in the showroom.

Kind Regards,

Bram van Kleef
MSc. International Business
Kristianstad University, Sweden
+31633823750
8.2 APPENDIX 2: OPERATIONALIZATION INTERVIEW GUIDE

<table>
<thead>
<tr>
<th>Firm Level</th>
<th>Theme</th>
<th>No.</th>
<th>Question</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salesperson Level</td>
<td>Base Salary</td>
<td>1.</td>
<td>Can you tell me how your company decides your base salary?</td>
</tr>
<tr>
<td></td>
<td>Commission</td>
<td>2.</td>
<td>How satisfied are you with your base salary?</td>
</tr>
<tr>
<td></td>
<td>Commission - Low</td>
<td>3.</td>
<td>How satisfied are you with your base salary?</td>
</tr>
<tr>
<td></td>
<td>Commission - Moderate</td>
<td>4.</td>
<td>How satisfied are you with your base salary?</td>
</tr>
<tr>
<td></td>
<td>Commission - High</td>
<td>5.</td>
<td>How satisfied are you with your base salary?</td>
</tr>
<tr>
<td></td>
<td>Commission - Very High</td>
<td>6.</td>
<td>How satisfied are you with your base salary?</td>
</tr>
<tr>
<td></td>
<td>Sales Encounter</td>
<td>7.</td>
<td>Can you tell me how the review is being done?</td>
</tr>
<tr>
<td></td>
<td>Sales Tactics</td>
<td>8.</td>
<td>How satisfied are you with your bonus/commission arrangement?</td>
</tr>
<tr>
<td></td>
<td>Personal Targets</td>
<td>9.</td>
<td>How satisfied are you with your bonus/commission arrangement?</td>
</tr>
<tr>
<td></td>
<td>Customer</td>
<td>10.</td>
<td>Would you perform more tasks without further incentives?</td>
</tr>
<tr>
<td></td>
<td>Financial Targets</td>
<td>11.</td>
<td>How satisfied are you with your bonus/commission arrangement?</td>
</tr>
<tr>
<td></td>
<td>Expertise</td>
<td>12.</td>
<td>What type of offers do customers usually appreciate?</td>
</tr>
<tr>
<td></td>
<td>Knowledge</td>
<td>13.</td>
<td>Do you feel that information exchange between you and the customer improves the firm's goals and your own performance?</td>
</tr>
<tr>
<td></td>
<td>Influence Tactics</td>
<td>14.</td>
<td>Do you feel that requests from you to the customer improve the firm's goals and your own performance?</td>
</tr>
</tbody>
</table>

## 8.3 Appendix 3: Operationalization Coding Scheme

**RQ** | **Concept** | **Aspect** | **Sub-Aspect** | **Sub-Sub-Aspect** | **No.** | **Classification** | **Relation to** |
---|---|---|---|---|---|---|---|
| | | Customer Orientation & Long-Term Relationships (1) | | | | |
| | | Customer Orientation | | Finding the right product essential for future | 1 | Solution | 6,9,11,18,19 |
| | | | | Visitors are seen as future customers in a mood to buy: 98% done | 2 | Needs | 9,17,20 |
| | | | | Cheap way of doing business, important to all dealerships | 3 | Solution | 12,9 |
| | | | | Lease over Sales, long-term income and guaranteed contact | 4 | Solution | |
| | | Long-Term Relationships | | | | |
| | | Education | | Learning more, selling less: Increases pressure afterwards | 5 | Tension | 6,7,8 |
| | | | | Social Pressure: Whiteboard Targets | 6 | Tension | 2,5,7,8,15,16 |
| | | | | Measurement: Performance is everything | 7 | Tension | 19,10,11,13,14,15 |
| | | Incentives from the company | | Extras: Company Car, Gadgets & Competitions | 8 | Needs | 3,7,12, |
| | | | | Cars in Stock, Campaigns, Fast Delivery. | 9 | Needs | 12,10,17,20 |
| | | | | Commission: Often based on volume | 10 | Needs | 12,6,7,13,18, |
| | | | | Different Commissions on different cars | 11 | Tension | 12,6,7,12,19,20 |
| | | | | Salespeople would do the same effort, but must have commissions. | 12 | Conflict | 17,14,15,16 |
| | | | | Targets sometimes hard to reach, sometimes impossible | 13 | Tension | 12,10,17,18 |
| | | Incentives from Bonus & Commission schemes | | | | |
| | | Organisation | | Conflict Brand vs Dealership | 14 | Conflict | |
| | | | | Team-Performance | 15 | Tension/Conflict | 3,16, |
| | | | | Sharks & Little Fish - Stealing from Colleagues - Confidence | 16 | Conflict | 6,3,15 |
| | | | | People need a little push to make a decision | 17 | Tension | 12,9,18,20 |
| | | | | Close to the target, means little less regard towards customer needs | 18 | Conflict | 17,13 |
| | | | | Different commissions call for a push towards a somewhat different car | 19 | Conflict | 19,12, |
| | | Conflict in Sales Encounter | | | | |
| | | Customer Orientation & Long-Term Relationships (2) | | Recommendations, Test-Drive, Letting customer Choose, Assurance, | 20 | Solution | 12,6,7,9, |
| | | | | Trade-In | 21 | Solution | 20 |