

Erin Anderson

Key Finding

The decision for a firm to use its own salesforce is not always optimal. Usually it is more effective to design a distribution system that involves independent sales agents or distributors. The conditions are derived from the application and development of transaction cost economics. To complement these conditions, “soft” weapons can be used to fight opportunism: trust, goal congruence, mutuality and interdependence. Another important finding concerns international modes of entry: the framework proposed in this research provides a unifying rationale for deciding whether to establish a wholly owned subsidiary, a local agent or a hybrid system that allows control mechanisms appropriate to the context.

Business Application

Sales force management is a key area of marketing. The major questions that firms must address concern the design, management and control mechanisms of their sales force. A critical area of Erin Anderson’s research has been to address these questions from the perspective of transaction cost economics. The framework she proposed provides operationalisations of Oliver Williamson’s concepts applied to the sales force context. She developed this research stream further beyond the choice between “make or buy” alternatives to the decision to use simultaneous distribution channels. These multi-channel strategies are especially relevant with the growth of sales via the Internet.

International modes of entry is another area where decisions are fundamentally strategic for firms expanding into foreign markets. The unifying framework provided by transaction cost economics applied to this context by Erin Anderson’s research remains fundamental to understanding which choice best fits a firm’s interests.

Erin Anderson’s contributions lie not only with the development of frameworks to study and help management make these strategic choices but also with bringing together different theoretical approaches that complement each other to make a company’s sales force and distribution systems more efficient. She brought together organisational ecology, relationship marketing, social psychology, cognitive psychology, agency theory and organisational theory with factors such as switching costs, trust, mutuality, negotiation equity and power dependence, behaviour versus outcome control systems or legitimacy, and applied these different perspectives to control opportunism better and reduce internal uncertainty. She also translated theories of effective intermediation into practical frameworks that managers can use to design business models.

Read more:

- **Coughlan, A. T., Anderson, E., Stern, L W., and El-Ansary, A. I.,** (2006). *Marketing Channels*, 7th edition. Upper Saddle River, NJ: Prentice Hall.
- **Anderson, E. and Trinkle, B.,** (2005). *Outsourcing the Sales Function: The Real Costs of Field Sales*, Cincinnati, OH: Thomson Texere Publishing.
- **Anderson, E. and Onyemah, V.,** (2006). “How Right Should the Customer Be, *Harvard Business Review*, 84 (July–August), 58–67.

Erin Anderson was the John H. Loudon Chaired Professor of International Management and Professor of Marketing at INSEAD until her death in 2007. Apart from being a very productive scholar, with two books and over 40 articles, she was a very involved and caring supervisor of many PhD students during her career at Wharton and INSEAD. She played a leading role in coordinating the Marketing area at INSEAD, co-chairing the taskforce on faculty gender diversity, serving as faculty representative on the board and becoming Dean of Executive Education shortly before her death.

Research interests: issues related to management control, with the objective of explaining the effect of various ways of gaining control on the performance of marketing functions. Problems of particular interest include:

1. vertical integration (“make or buy”) of marketing functions, such as personal selling, distribution, or foreign marketing operations;
2. external control issues, e.g., how to manage an independent agent, such as a manufacturers' representative or a distributor;
3. internal control issues, e.g. how to manage a commission sales force or a joint venture.