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Sales channel integration after mergers and acquisitions: A methodological approach for avoiding common pitfalls

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Abstract

This article addresses the integration of sales channels after mergers and acquisitions (M&A) by appraising the strengths, weaknesses, and biases associated with the four most common frameworks for evaluating sales channels (sales management, historical performance, strategic fit, and customer choice) for their appropriateness in a post-M&A context. The authors develop a methodological approach that uses a balanced-scorecard framework to guide managers through the sales channel integration process, and then apply this approach to the merger of two industrial firms' sales organizations across 21 territories. In so doing, they reveal various pitfalls and propose and test some analytical corrections. Longitudinal performance data support comparisons across the different evaluative frameworks; in particular, the sales management and customer choice frameworks provide the most insight into channel partners' post-integration performance. The results support the premise that channel integration can be improved by accounting for factors unique to the M&A context and using an approach that triangulates multiple perspectives.

Keywords: Joint ventures; Mergers and acquisitions; Manufacturers' representatives; Affiliation bias; Sales channels; Balanced-scorecard

1. Introduction

The strategic role of mergers and acquisitions (M&A) has long been acknowledged (Hennessy, 1978; Stern, 1967), particularly since M&A activity has exceeded the trillion-dollar annual mark in U.S. industrial markets (Coy, Thornton, Arndt, & Grow, 2005). Because industrial sales channels or intermediaries provide 20–50% of sales revenues for many business-to-business firms (Abele, Caesar, & John, 2003) and the success of M&As depends on successful integration (Capron & Hulland, 1999), many firms face the challenge of optimally integrating their sales channels after a merger or acquisition. Channel integration is especially critical because terminated channel partners have relationships with and detailed information about existing customers and because poor channel decisions result in weak partners and provide competitors a superior channel to market. Furthermore, channel decisions are difficult to reverse, the cost of changing partners is high (e.g., due to lost sales during the transition period and the additional training required for new channel partners), and channel partnerships typically last a long time (Abele et al., 2003; Weiss & Anderson, 1992). The difficulty of successfully integrating sales organizations after a merger has been well documented in the trade press, which attributes numerous problems and negative results to poor channel selection and integration decisions (e.g., Madell & Piller, 2000; Sutherland & Turner, 2003). One common pitfall, favoritism or affiliation bias, has been recognized across many aspects of post-M&A integration resulting in poor performance (McBeath & Bacha, 2001). For example, the acquisition of WordPerfect Inc. by Novell resulted in affiliation-related staff clashes that crippled the merger, leading to Novell's decision to sell the newly acquired business (Clark, 1996).

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However, research literature provides little guidance regarding this important and increasingly prevalent business need to integrate sales organizations (Rangan, Zoltners, & Becker, 1986). Whereas it sheds some light on the best methods for selecting channel partners (Johnston & Cooper, 1981; Weiss & Anderson, 1992), managing sales channels (Mehta, Rosenbloom, & Anderson, 2000; Rangan, Menezes, & Maier, 1992), and handling M&A (Capron & Hulland, 1999; Mallette, Fowler, & Hayes, 2003), it provides little insight into integrating sales channels *after* M&A. Moreover, generalizing from these approaches to the M&A context can be troublesome due to its unique characteristics, including (1) separate sales and marketing organizations; (2) organizations that have only a partial knowledge of customers, products, and channels; (3) the tendency of premerger affiliations or bias to overwhelm other decision criteria; and (4) the need for rapid decisions in an often politically charged environment. Overall, the literature provides limited insight into a frequently confronted business decision that has long-term financial ramifications whose many problems and pitfalls the business community already recognizes.

Therefore, the research objectives of this study are to develop and test a methodological approach for optimally selecting and integrating sales channels after an M&A while avoiding some common pitfalls. The proposed framework and process take a "balanced-scorecard" approach (Kaplan & Norton, 1996) and integrate four different sales channel evaluative perspectives identified in the literature. The inputs from multiple perspectives (i.e., salesforce, financial performance, business objectives, customers) in a balanced-scorecard framework support a triangulation across different aspects of the sales channels, help promote organizational learning, and may minimize the impact of some problems unique to the M&A context (e.g., Brinberg & Hirschman, 1986; Chandy, 2003). The process outlined herein also attempts to minimize conflict among participants, which can result in reduced motivation (Covin, Sightler, Kolenko, & Tudor, 1996; Walsh, 1989) and protracted legal issues (Mohr, Fisher, & Nevin, 1999; Weiss & Anderson, 1992).

We organize this article as follows: First, we review the applicable literature to appraise the appropriateness of existing sales channel evaluative frameworks and identify any problems or pitfalls associated with them in a post-M&A context. Second, we outline our balanced-scorecard channel selection and integration framework and process, including the modifications needed to minimize context-specific biases. Third, we test the framework and process with an analysis of an acquisition in the industrial market and subsequent sales channel integration across 21 territories that used the proposed methodology. The analyses include an evaluation of post-acquisition longitudinal performance across the different evaluative frameworks. Fourth, we present the key findings, managerial implications, limitations, and future research directions.

2. Literature review

In his seminal work on the resource-based view (RBV), Wernerfelt (1984) articulated the strategic role a firm's resources play in sustaining competitive advantage and noted that attractive resources can be acquired through M&A. In this sense, sales channels represent critical organizational resources (Barney, 1991), or market-based assets, according to Srivastava, Shervani, and Fahey's (1998) terminology, that drive long-term profitability because they link a firm to its customers. If, in line with the RBV, we perceive sales channels as market-based resources that directly affect post-M&A profitability, then both the M&A and sales and marketing literature may provide insight into the practice, problems, and potential approaches for the successful integration of sales channels after a merger or acquisition.

In the M&A literature, the most frequently encountered cause of a failure to achieve financial objectives is a problematic integration (Capron & Hulland, 1999; McBeath & Bacha, 2001). Poor integration decisions often alienate customers and demotivate sales organizations, which leads to low morale and high turnover (Madell & Piller, 2000; Mallette et al., 2003). McBeath and Bacha (2001) argue that one company typically will be perceived as the dominant player during consolidation and resource redeployment decisions, which may introduce self-serving biases and lead to intraorganizational hostility, mistrust, or turf battles, all of which undermine employee morale and limit the intraorganizational learning that is needed for a successful integration (Mallette et al., 2003). Examples of M&A failure due to integration problems abound in the popular press and business news. After its recent acquisition of PeopleSoft, Oracle acknowledged that merging the two sales organizations represented its biggest "integration risk" and could result in significant losses of customers and revenue (Bank, 2004). Post-merger integration problems also have been deemed responsible for the drop (1998 to 2002) in Daimler–Chrysler's market value by $60 billion (Epstein, 2004). Available statistics from examples such as these indicate that, on average, acquirers have less than a 50% chance of success in M&A ventures (Pritchett, Robinson, & Clarkson, 1997). To guide firms in overcoming these problems, the business press has offered many general guidelines, including a planning process that integrates the process, people, and technology; the gradual introduction of corporate culture to the acquired firm; dedicated integration task forces; and cultivating a trusting teamwork environment (Miller, 1994; Pritchett, 1987; Pritchett et al., 1997). Although somewhat helpful, these general M&A guidelines provide little specific direction for the selection or integration of sales channels.

In contrast, marketing literature offers detailed guidance regarding the process of selecting sales channels but little advice directed specifically at the post-M&A context (Rangan et al., 1986). However, Weber and Dholakia (2000) outline a pre-M&A process that uses marketing resources to identify acquisition candidates that will generate superior synergistic benefits. Reviewing the sales channel selection literature suggests it can be distilled into four different frameworks (for a summary, see Table 1): (1) sales management (e.g., Mehta, Dubinsky, & Anderson, 2002; Weiss & Anderson, 1992); (2) historical performance (e.g., Abele et al., 2003; Agency Sales, 1990); (3) strategic fit (e.g., Novick, 1995; Rao, Mahajan, & Varaiya, 1991); and (4) customer choice (e.g., Becker & Flamer, 1997; Rangan et al., 1992). We evaluate the strengths and weaknesses of each of these frameworks for their use in the M&A context in the next section.

Table 1
Overview of sales channel evaluative frameworks

Evaluative frameworks	Typical evaluative dimensions	Relevant perspectives	Strengths	Weaknesses and expected biases
Sales management framework				
	Organizational structure, facilities, and systems Sales coverage Sales and marketing capabilities Product (service) synergies Motivation or mindshare	Supplier A's and B's employees' evaluation of their "own"channel partners. Supplier A's and B's employees' evaluation of their "new" channel partners.	Some determinants of future channel performance are difficult to identify and measure, and may be best captured by sales managers' intuition. Using sales management's input may improve their future motivation and support of channel network selected.	Sales channel decisions made by employees are often determined largely by pre-acquisition affiliations (where Supplier A's salespeople select Supplier A's channel partners). May increase the conflict in the newly combine sales organization between Supplier A's employees and Supplier B's employees.
Historical performance framework				
	Sales growth Development of new customers Cross-selling effectiveness Market share Channel profitability	Relative performance of a specific Supplier A channel partner as compared to all Supplier A's channel partners. Relative performance of a specific Supplier B channel partner as compared to all Supplier B's channel partners.	Avoids difficulty of determining and measuring sales channel characteristics and drivers of performance by focusing only on important outcomes.	Sales channel performance outcomes are dependent on many external factors (e.g., time frame, relative competitive position, and demand creating investment) outside of the control of channel members. Comparison of performance is especially difficult between Supplier A's and Supplier B's channel partners due to different products, pricing, etc. Results may be highly sensitive to performance criteria and time period selected.
Strategic fit framework				
	Organizational structure, facilities, and systems (e.g., use of CRM system) Sales coverage (e.g., average sales revenue per outside salesperson) Sales and marketing capabilities (i.e., average education and years of experience) Product (service) synergies (e.g., percentage of channel revenue deemed synergistic) Motivation or mindshare (e.g., line ranking and share of channel revenue)	A specific channel partner's fit relative to combined organization's ideal sales channel profile.	Forces management to identify an "ideal channel partner profile" based on strategic objectives for the combined organization as compared to a more confrontational comparison of Channel A versus Channel B. Thus, selection is driven by alignment or fit between channel partner and strategically determined ideal profile.	As some determinants of future channel performance are difficult to identify and available proxies are limited, outcomes are often driven more by what data are available than by what attributes are most important.
Customer choice framework				
	Level of support Breadth of relationship (number of different products supplied) Depth of relationship (duration and frequency) Loyalty to channel member	Supplier A's customers' evaluation of Supplier A's and Supplier B's channel partners. Supplier B's customers' evaluation of Supplier A's and Supplier B's channel partners.	Customer views and loyalty towards channel partners are often critical to success. Customers may be the only constituent that has knowledge of all prospective channel partners. (Large customers typically deal with a wide range of intermediaries for their business needs.) Thus, customers may be best suited to provide relative comparisons among multiple channel members.	Customers will be aware of and potentially more loyal toward channel partners that are larger in size and product breadth, while these same channel partners may not give much mindshare (time and effort expended) to any single supplier. Existing customer views may not provide insight into future supplier performance or a channel partner's ability and motivation to develop new customers.

2.1. Sales management framework

The most common approach to sales channel selection stems from the sales manager's perspective (e.g., Mehta et al., 2000; Rangan et al., 1986; Weiss & Anderson, 1992). Sales management judgments, though they include an intuitive element, are typically structured into formal evaluative dimensions (Mehta et al., 2000; Rangan et al., 1992) that can be grouped into five categories critical for a sales channel's success: organizational structure, facilities, and systems; sales coverage; sales and marketing capabilities; product (service) synergy; and motivation or mindshare. The organizational structure, facilities, and systems category evaluates factors such as the stability of ownership, efficiency of operations, information technology capabilities, suitability of facilities, and overall investment in an infrastructure for the future, all of which enable a channel member to function effectively (Novick, 1995). Sales coverage assesses the outside and inside sales resources available for the channel's level of business, as well as the geographic, market, and customer fit to ensure access to targeted decision makers. Sales and marketing capabilities focus on the specific skills, education, and experience of the sales and marketing personnel required to sell a supplier's products successfully. Product (service) synergy differentiates a sales channel from a direct sales organization–in that channel partners market other suppliers' products, which in part determines where the sales channel and its salespeople spend their time and effort–and captures the constructive overlap involved in the channel members' complete offering. For example, a channel with a high level of synergy will market products that are not directly competitive, focus salespeople toward targeted customers and decision makers, and require similar sales and technical skills (e.g., commodity versus missionary sales) at similar points in the purchasing cycle. Finally, motivation or mindshare evaluates the share of time and effort a supplier receives or expects to receive from the channel partner. Mindshare is driven by many factors, including the importance of the supplier's business relative to the other suppliers a channel partner represents (line ranking), the ease of dealing with a specific supplier, the goals and objectives of the salespeople, the pay structure of salespeople, and the respective cultures of the supplier and channel organizations (Becker & Flamer, 1997; Capron & Hulland, 1999; Fang, Palmatier, & Evans, 2004).

From an RBV perspective, the sales channel becomes a valuable resource when it improves the firm's efficiency (i.e., reduces coordination and/or monitoring costs). Sales managers play a key role in coordinating activities within and collecting feedback from the selected sales channel (Capron & Hulland, 1999; Weiss & Anderson, 1992). This cooperation requires a high level of confidence and trust among channel members to fully leverage the market-based channel asset (Srivastava et al., 1998). The sales manager's perspective thus provides some key insights into which channels may prove the most cooperative. Sales managers' participation in the selection decision also should increase future coordination efficiency through a higher level of principal–agent relationship quality and motivation. In addition, some determinants of future channel performance are difficult to identify and objectively measure; the sales manager's intuition and confidence in a particular sales channel therefore may bolster coordination efficiency when environmental uncertainty exists.

Although the sales management framework has noted strengths, it may be undermined particularly in an M&A context. Sales managers' decisions are often determined largely by preacquisition affiliations, and discussions to resolve these polarized perspectives can increase the conflict that occurs in newly combined sales organizations (e.g., Weiss & Anderson, 1992). Also according to Weiss and Anderson (1992), one of the most salient obstacles facing managers in sales channel selection is the switching costs incurred by setup (e.g., hiring, training), takedown (e.g., contract clauses), and relational assets (e.g., trust, past relationships), which give rise to inertia and resistance to change. Complicating the issue of switching costs is the potential for retaliation by the terminated channel partner that might take up a direct competitor's product line (Abele et al., 2003). Therefore, in an M&A situation, sales managers will prefer their existing channel partners, so though the sales management framework might identify a valuable sales channel resource, sole reliance on this evaluative framework in an M&A context is problematic.

2.2. Historical performance framework

Resources generate competitive advantage on the basis of their efficiency and effectiveness, relative to the alternatives (Barney, 1991). In post-M&A sales channel selection, each channel member can be evaluated on the basis of its historical performance and past effectiveness (Abele et al., 2003; Gregory & Carpenter, 2003). Historical performance criteria include sales growth, new customer growth, cross-selling effectiveness, market share, and supplier profitability with a channel partner. To the extent that a valuable sales channel resource successfully exploits opportunities, historical performance provides a direct measure of the effectiveness of a particular sales channel and a proxy for the channel's past value as an organizational resource.

One noted strength of the historical performance framework is that appraisals based on outcome performance can avoid the difficulty of measuring sales channel behaviors by focusing only on important outcomes (Anderson & Oliver, 1987). However, though historical performance is not biased by subjective evaluation, it also does not provide easy comparisons among sales organizations with different products, because many factors other than channel performance influence historical performance, such as market segment growth rates, relative competitive positions, and prior supplier demand-creating investments (i.e., advertising). In addition to this difficulty, historical performance depends on many idiosyncratic factors (e.g., evaluative timeframe, customer purchasing locations, factory closures) that occur outside the control of channel members. In many cases, these factors may mask the underlying "true" contribution of channel members, which makes a reliance on historical performance suboptimal (Anderson, 1985; Smith, 2001). If adjustments remove idiosyncratic factors or outliers, the framework loses its main strength, its objective basis, and the results may become highly sensitive to the adjustments. Thus, historical performance data shed light on the effectiveness of a sales channel as a valuable resource but may not provide a completely accurate picture, given external factors.

2.3. Strategic fit framework

The strategic fit framework has been used for sales channel (e.g., Novick, 1995) and M&A (e.g., Rao et al., 1991) candidate selection. The management team develops a profile to outline the characteristics or attributes of its "ideal" candidate according to specific business objectives. The selection then is driven by the alignment or fit between channel partners and a strategically determined ideal channel partner profile. According to the RBV, firms are heterogeneous in terms of their attributes and thus need heterogeneous resources to exploit opportunities and/or neutralize threats. Therefore, a sales channel partner that aligns well with a firm's idiosyncratic attributes and strategic priorities constitutes a resource that is both rare and imperfectly imitable (Barney, 1991).

This framework forces the management team to identify and synthesize the critical attributes desired in channel partners, which means this discussion can occur in a strategic context rather than as a confrontational dialogue that pits sales organizations against each other (i.e., acquirer versus acquiree). Furthermore, this approach avoids a weakness common to the other frameworks, in that it uses a perspective (ideal profile) that is relevant to all channel members rather than attempting to remove or correct for any differences. Ideal sales channel attributes are typically grouped into the same five dimensions outlined in the sales management framework (i.e., organizational structure, facilities, and systems; sales coverage; sales and marketing capabilities; product/service synergy; motivation or mindshare). For example, the average sales revenue per outside salesperson provides a proxy for sales coverage, and average years of experience can indicate sales and marketing capabilities. These data thus can be compared with the ideal profile to identify the best-fitting candidate. However, because some determinants of future channel performance are difficult to identify and available proxies for some attributes (e.g., facilities and systems) are limited, business outcomes often are driven more by the attributes for which sufficient data are available instead of those ranked as most important (Novick, 1996; Rangan et al., 1986).

2.4. Customer choice framework

A key constituent to any sales channel decision is the customer (e.g., Becker & Flamer, 1997; Rangan et al., 1992), whose views and loyalty toward channel partners are often critical to a firm's success (Clemente & Greenspan, 1997; Oliva & Lancioni, 1996). Although the other evaluative frameworks may include customer input as an additional dimension (e.g., adding customer satisfaction results as a historical performance criterion), they do not focus primarily on the customer, whereas the customer choice framework takes the customer's views or desires as the primary axis in the selection process. Given an option, customers normally will use the channel that provides the best support, with which they have a strong relationship, and toward which they feel a high level of loyalty (Becker & Flamer, 1997). According to Wernerfelt's (1984) original work on the RBV, customer loyalty generates positional barriers to competition through the complex relationship that develops between customers and the sales channel over long periods of time (Capron & Hulland, 1999; Srivastava et al., 1998). Because sales channels have idiosyncratic knowledge of the supplier's product(s), as well as a relationship with the customer base, sales channels with a high level of customer loyalty will be hard to substitute (Barney, 1991). As such, the customer choice framework may provide the most potent source for evaluating the value of a sales channel resource. Consistent with channel and customer relationship literature (e.g., Sirdeshmukh, Singh, & Sabol, 2002), the evaluative dimensions of a customer choice framework are the channel member's level of support, the breadth and depth of the customer relationship, and the customer's overall loyalty toward the channel member. Depending on the product and market segment, customer firms typically have multiple decision makers (e.g., purchasing and technical groups; see Kohli, 1989) that the channel must support and service, so that the specific support criteria may vary across functional groups.

In a post-M&A context, the customer choice framework shares some of the same disadvantages as the historical performance framework, in that customer views may depend on factors outside the control of the channel members and, again, the differences between the acquirer's and acquiree's products and support may render comparisons difficult. Customers also may be more aware of and potentially more loyal toward larger channel members that offer greater product breadth, even though these same channel members may not provide as much mindshare to any single supplier. Furthermore, existing customer views may not provide appropriate insight into future financial performance or a channel member's ability to develop new customers.

3. The balanced-scorecard approach to sales channel integration

Each of the four channel selection frameworks identified in the literature provides insight into the value of the sales channel resource, but no one approach captures the full RBV criteria for identifying valuable resources. Because each framework has limitations in an M&A context, they must be integrated in such a way to complement their strengths and minimize their weaknesses. Only one sales channel selection decision model has attempted to integrate across multiple perspectives; Rangan et al.'s (1986) channel selection decision model uses manufacturer, sales channels, and customer data to design an optimal sales territory. Their results demonstrate that integrating multiple perspectives creates a model that outperforms the sales manager's intuitive decision model. However, they focus on a single manufacturer's channel selection and territory design, and therefore, their work's applicability to a post-M&A context with multiple sales organizations is limited (Rangan et al., 1986).

Executives who need to select the optimal channel partner immediately after an M&A between two suppliers with parallel sales channels must consider a complex network of constituents to apply any of these frameworks (Fig. 1). For example, an exchange that involves a sales channel includes three key constituents: the supplier, the channel member, and the customer. In many industrial markets, the customer's decision authority (buying center approach) might need to be further subdivided

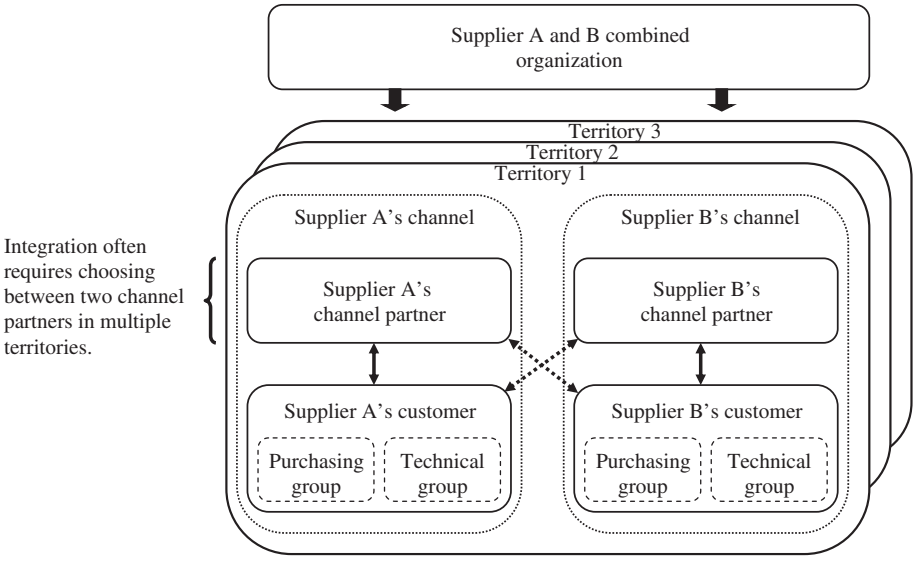


Fig. 1. Constituents involved in post-merger and acquisition sales channel integration.

into at least a purchasing group and a technical or engineering group (Kohli, 1989). In addition, post-M&A integration involves employees from two different organizations, each with knowledge about his or her products and channels and a unique, potentially biased perspective. Because no single framework can capture the full breadth of perspectives (or constituents) or provide an unbiased view of the sales channels, an optimal decision process should triangulate the four evaluative frameworks.

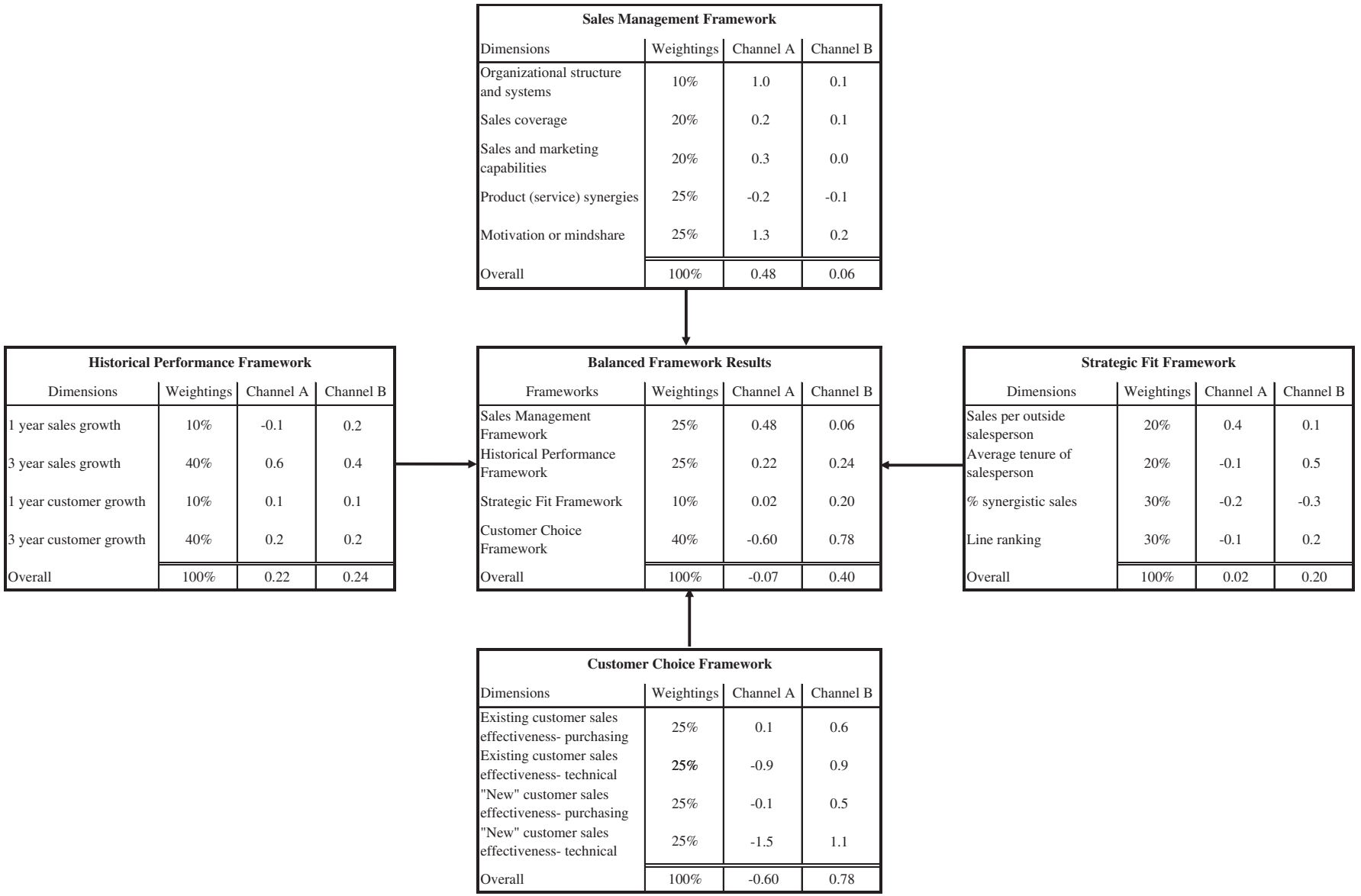
Marketing researchers have long recognized the value of multiple perspectives, or triangulation, for analyzing a research problem to understand the underlying phenomenon (Brinberg & Hirschman, 1986; Chandy, 2003). Business executives in turn have adopted the "balanced-scorecard" approach as one method to integrate multiple perspectives to promote organizational learning, minimize conflict while building consensus, and generate effective strategic change (Kaplan & Norton, 1996). This approach may be especially well suited to the M&A context, because reducing conflict and promoting learning between two recently merged organizations represent key predictors of successful integrations (Madell & Piller, 2000).

A critical question for building the balanced-scorecard is how best to combine these four different frameworks to achieve an optimal decision. Any bias identified within a framework must be corrected, and each framework's result or "score" should be standardized to remove any bias that might be introduced by differences in the scales the frameworks use (Hair et al., 1998). In addition, decision makers must determine the relative weights of each evaluative dimension within a framework and across the four frameworks or use some type of vote count process. A review of the literature identifies some modeling efforts to determine the optimal weights (e.g., Rangan et al., 1986), but because these modeling techniques are often demanding in terms of the necessary data, are not transparent for many managers, and may mask some potentially useful insights, we propose a more managerially directed methodology.

As recently merged organizations form new teams, assimilate their cultures, and resolve their conflicts, the decision environments are often less than ideal. To gain the synergy that firms need, the firms must encourage employees to learn from one another, even in this difficult environment (Madell & Piller, 2000; Sutherland & Turner, 2003). Therefore, the relative weights of the dimensions and the frameworks should be determined by the newly formed sales and marketing organization on the basis of strategic objectives set by senior management. In this way, the manager's judgment about the importance of each criterion and the future strategic direction of the organization, as well as evaluations of the reliability of each data source and its importance, drives the relative weights. Rather than merely providing a single final score, this approach generates an overall balanced-scorecard worksheet (Kaplan & Norton, 1996) that presents corrected, standardized scores and weights for each dimension and framework for all channel partners in a single territory (see Fig. 2). This balanced-scorecard worksheet also enables managers to understand the key drivers of the final recommendation and easily perform sensitivity analyses on any suspect data element. Determining these weights prior to data collection also minimizes potential conflict and results in more objective weightings.

3.1. Common pitfalls and biases

A balanced-scorecard decision-making approach facilitates the identification and correction of many common pitfalls and biases observed during sales channel evaluations. For example, some sales channel partners that are more effective at selling up to suppliers than down to customers will score better on sales management evaluations than on customer evaluations, whereas the opposite result will emerge for those that focus their efforts on selling down to customers. This phenomenon, which we term "upward versus downward selling bias," has been identified for sales channels (Smith, 2001), customer service centers (Oliva & Lancioni, 1996), and employees (Harper, 2001). In contrast, a balanced framework can identify a channel member focused upward at the expense of a customer focus through the conflicting



Sales Management Framework

Dimensions	Weightings	Channel A	Channel B
Organizational structure and systems	10%	1.0	0.1
Sales coverage	20%	0.2	0.1
Sales and marketing capabilities	20%	0.3	0.0
Product (service) synergies	25%	-0.2	-0.1
Motivation or mindshare	25%	1.3	0.2
Overall	100%	0.48	0.06

Historical Performance Framework

Dimensions	Weightings	Channel A	Channel B
1 year sales growth	10%	-0.1	0.2
3 year sales growth	40%	0.6	0.4
1 year customer growth	10%	0.1	0.1
3 year customer growth	40%	0.2	0.2
Overall	100%	0.22	0.24

Balanced Framework Results

Frameworks	Weightings	Channel A	Channel B
Sales Management Framework	25%	0.48	0.06
Historical Performance Framework	25%	0.22	0.24
Strategic Fit Framework	10%	0.02	0.20
Customer Choice Framework	40%	-0.60	0.78
Overall	100%	-0.07	0.40

Strategic Fit Framework

Dimensions	Weightings	Channel A	Channel B
Sales per outside salesperson	20%	0.4	0.1
Average tenure of salesperson	20%	-0.1	0.5
% synergistic sales	30%	-0.2	-0.3
Line ranking	30%	-0.1	0.2
Overall	100%	0.02	0.20

Customer Choice Framework

Dimensions	Weightings	Channel A	Channel B
Existing customer sales effectiveness- purchasing	25%	0.1	0.6
Existing customer sales effectiveness- technical	25%	-0.9	0.9
"New" customer sales effectiveness- purchasing	25%	-0.1	0.5
"New" customer sales effectiveness- technical	25%	-1.5	1.1
Overall	100%	-0.60	0.78

Fig. 2. Example of single territory balanced-scorecard worksheet (all scores are standardized; 1 = score is one standard deviation above the mean, 0 = score is equal to the mean, −1 = score is one standard deviation below the mean).

recommendations that the sales manager and customer perspectives will produce, but discrepancies may also be due to other factors outside of the control of the sales channel (e.g., poor supplier product quality or delivery performance).

There are multiple perspectives regarding the evaluation of sales performance. Some researchers argue that the best measure of sales performance is outcome based (e.g., sales growth), others suggest that intermediate behaviors are more reliability (e.g., number of sales calls), while a third perspective suggests a combination of both types of measures may be optimal (for a detailed discussion, see Anderson and Oliver, 1987). The historical performance and customer choice frameworks both provide insight into critical outcomes, in support of the position that, because the true drivers of performance are difficult to identify and measure, outcomes should be the primary axis for evaluation. Alternatively, the sales management and strategic fit frameworks capture many key attributes (e.g., years of experience) and behaviors (e.g., motivation) that may be less sensitive to external factors and provide better insight into long-term channel performance.

The most typical industry practice for evaluating sales channels during an M&A integration is to form a team of people from both premerger organizations that visits channel member candidates before making a decision. During this visit, the team considers facilities and meets key people, and senior managers from the sales channel often make a presentation. (For sales agents or representatives, this process is often called a "rep off.") Subsequent channel selection discussions by the team members often split according to past channel affiliations, an effect that we term an "affiliation bias" and that has been noted in M&A (Harper, 2001). Isolating and correcting for these previous affiliations may allow for a more accurate evaluation across key selection criteria.

Similarly, historical performance and customer choice may have unique biases attributable to the M&A context. For example, historical performance may be consistently better for Supplier A's channel members because of their competitive position or market factors that are unrelated to Supplier A's channel members' performance, which makes direct comparisons difficult. Thus, prior to comparing the metrics between the two supplier's sales channels, the environmental influences unique to a specific supplier should be removed.

3.2. Sales channel integration process

Our proposed sales channel integration process comprises three separate phases (Table 2). In the first, the senior management of the combined organization forms a representative integration team (balanced between organizations), assigns a process leader, and sets strategic objectives applicable to the sales organization, along with key deadlines. During the first integration team meeting, the process leader outlines the proposed balanced framework, process, and timeline. On the basis of the strategic objectives of the sales and marketing organization, the team develops the ideal channel partner profile; agrees on the evaluative dimensions, weights, and data sources for each of the four evaluative frameworks; and determines the contribution of the four frameworks to the final decision. Finally, the team agrees to the decision and appeal processes. For example, the team could mandate that the decision is final if one channel partner's overall score ranks a specific level higher than the other partner's and/or performs better on three of the four frameworks.

Table 2
Sales channel integration process

Process Phases	Key Process Steps
Define Objectives and Process	• Formation of integration team and determination of key objectives and deadlines • Meeting of integration team Outline objectives, balanced framework, process, and timeline Develop "ideal channel partner profile" Agree on evaluative dimensions, weightings, and data sources or proxies Determine the contribution of each of the four evaluative frameworks to the final decision Agree to decision and appeal (tie) process
Data Collection and Analysis	• Collection and analysis of key data elements Collect data Correct for bias and standardize scores Complete balanced-scorecard worksheet for each territory • Meeting of integration team
Channel Decisions and Notification	Review balanced-scorecard worksheets one territory at a time and make selection decisions Initiate appeal process for any ties or unresolved territories • Notification of internal and external constituents

The second phase focuses on data collection and analysis. Each data element required for the balanced-scorecard worksheet must be collected, corrected for bias, and converted to a standardized score to facilitate the completion of worksheets for each candidate. Finally, the team meets to review the balanced-scorecard worksheets, one territory at a time, and make selection decisions. At this point, ties and problems may enter the predetermined appeal process. Once the decisions are finalized, the internal and external constituents are notified of the results.

Consistent with our research objectives, we have proposed a methodological approach for optimally selecting and integrating sales channels after an M&A and outline some strategies to avoid some of the most common problems and pitfalls. We next turn our attention to testing this proposed approach.

4. Methodology and measurement

We use a combination of methodologies (case study and empirical analyses) to test the balanced-scorecard framework in the context of an acquisition, and subsequent integration by, Supplier A ($500 million company) of Supplier B ($100 million company). Both companies are electronic component manufacturers that sell components to original equipment manufacturers through sales channels (manufacturers' representatives, or reps). The rep sales channel integration process occurred within three months (from kickoff meeting to channel notification) in 21

different territories across North America. Because key aspects of the framework are duplicated across numerous territories (e.g., channel selection decision) and because longitudinal performance data are available, we use additional quantitative analyses to supplement the qualitative results, thereby providing empirical insight into the approach's effectiveness. Specifically, we use analyses to investigate the prevalence and magnitude of affiliation and upward versus downward selling biases and compare sales channel performance across different evaluative frameworks.

Because rep firms have contractual geographical exclusivity and because a strategic focus of this particular acquisition was to provide a one-stop shopping solution for related technologies to customers, the integration we review required the selection of a single rep firm in each territory. In one territory, a rep external to the existing networks was added to the evaluation process to address a noted weakness, so the team evaluated a total of 43 rep firms. This team followed the process outlined in Table 2. During the first meeting, the integration team determined the evaluative dimensions, performance indicators, ideal channel member profile characteristics, and weights (see Fig. 2).

Each rep firm made a presentation to a subset (3–5 persons) of the integration team. Immediately after each presentation and before any discussion took place, each team member completed a survey that captured his or her input for the sales management framework across the five evaluative dimensions. We summarize the measurement items and Cronbach's alphas in the Appendix for these latent constructs, but all Cronbach's alphas were greater than .70, which suggest acceptable construct reliabilities (Nunnally, 1978). Other sales and marketing personnel (e.g., inside sales, product support personnel) also completed the survey for any rep firm about which they had specific knowledge. This process yielded 252 usable surveys spread across the 43 rep firms, or about 6 responses per firm. To evaluate and correct for affiliation bias, we split the surveys into two groups. One group consisted of responses in which employees were rating a channel their previous employer had used, and a second group was generated for responses in which they were rating the other supplier's channel partners. Each response item was converted to a standardized score (by subtracting the mean and dividing by the standard deviation) before we recombined the two groups. Finally, we generated an average score for each rep firm for each evaluative dimension to include in the balanced-scorecard worksheet.

Data for the historic performance framework were provided by Suppliers A and B for the 42 existing rep firms. One-and three-year sales growth measures and the growth in the number of active customers over one-and three-year periods were identified as the most critical performance data available from both suppliers. Because many factors specific to a supplier's offering (e.g., prices, products, competitive landscape) likely influence a rep firm's performance, we designated two groups (Supplier A's and Supplier B's reps) prior to standardizing each performance item. Thus, the comparisons occur between each rep firm's performance relative to other rep firms that offer similar products and levels of support. That is, this method assumes the average rep firm for Supplier A is equal to the average rep firm for Supplier B.

The strategic fit framework included the characteristics of an ideal channel partner, as determined by the sales team, and identified measurable proxies and target values with data collected from each rep firm. Sales per outside salesperson indicate salespersons' sales coverage; average tenure of salespersons reflects the rep firm's work environment and the firms' ability to retain key people. The sales team's evaluation of the percentage of the rep firm's existing sales that were synergistic to the combined organization's products provided insight into the overlap of markets and decision makers. Finally, the projected line ranking among all the rep's "suppliers" proxied for the rep's future motivation and the strength of the rep's line card. Because each of these proxies has a targeted value, we generated an absolute difference score for each item (absolute value of actual value minus targeted value), which we standardized for use in the strategic fit framework.

Suppliers A and B provided purchasing and engineering contact information (name, function, telephone number) for their largest 20 customers in each of the 21 territories for inclusion in the customer choice framework. We assigned a telemarketing company to conduct a telephone survey of a stratified random sample from this contact database. Each customer provided input about their existing rep firm and responded to five questions that focused on the rep firm's sales effectiveness. These questions centered on customer support, the breadth and depth of the customer relationship, and the customer's loyalty toward the rep firm. (See the Appendix for the sales effectiveness measurement items.) The Cronbach's alpha is .78, which suggests acceptable construct reliability. Next, the questioner identified another rep firm in the territory and repeated the same five questions. Customer calls continued until completed surveys were received for five purchasing and five technical contacts for each rep firm's existing customers. Thus, ten completed responses were received from existing customers of each of the 43 rep firms (contacts were selected from the database where the one external rep firm had other existing business), and approximately seven responses were received for each rep firm from the other rep firm's customers; these seven therefore represent potential new customers for that rep firm. This high degree of overlap results from the synergy between Supplier A's and Supplier B's products and should be expected in horizontal acquisitions.

Next, we averaged the responses to generate four measures of sales effectiveness for each rep firm: existing and new customer sales effectiveness for the purchasing function and existing and new customer sales effectiveness for the technical function. Each of these four measures provides insight into the reps' effectiveness among a different target group (e.g., a rep firm focused on commodity products may be highly effective among purchasing decision makers but not among technical decision makers). Alternatively, different rep firms may not have penetrated the "new" customer base (the other rep firm's customers) equally. We standardized these four groups and averaged them to provide an overall score for each targeted customer group.

Using the weights determined during the initial meeting, the integration team completed a balanced-scorecard for each territory. During the next integration team meeting, the team reviewed each territory's balanced-scorecard to support its channel decisions. Team members evaluated each channel member's overall score and the primary drivers of the results. On the basis of the previously determined decision criteria and appeal processes,

Table 3
Results: sales management framework's affiliation bias

Evaluative dimensions	Raw scores			Scores corrected for affiliation bias		
	Mean difference [a]	Standard error	*t*-value	Mean difference [a]	Standard error	*t*-value
Organizational structure, facilities, and systems	0.367 *	0.070	5.231	−0.167	0.081	−1.896
Sales coverage	0.473 *	0.712	6.651	−0.130**	0.054	−2.405
Sales and marketing capabilities	0.672 *	0.079	8.534	−0.077	0.091	−0.843
Product (service) synergies	0.215 **	0.092	2.333	0.069	0.101	0.683
Motivation or mindshare	0.438 *	0.050	8.668	−0.030	0.063	−0.471
Average of five evaluative dimensions	0.433 *	0.048	8.933	−0.067	0.048	−1.400

[a] Represents the difference in a sales channel partner's rating by sales management with and without a previous affiliation with that sales channel partner.
* Significant at $p<.01$ (two-tailed with 41 degrees of freedom).
** Significant at $p<.05$ (two-tailed with 41 degrees of freedom).

the team then chose a channel member for each territory. In situations in which the input from one framework might have been skewing the outcome, a sensitivity analysis was performed by varying the weighting factors.

5. Results

The overall difference in scores between the two reps exceeded the decision threshold in 62% of the territories (standard deviation 1.11–.25), which made the rep choice clear in those cases. In another 19% of the territories, a combination of the overall score, similar results in three of the four framework recommendations, and the sensitivity analysis supported a single rep firm. Thus, in only 19%, or four territories, were the results too close or ambiguous to indicate a single best rep firm. For each of these territories, after sensitivity analyses were performed across and within frameworks and a lengthy discussion had occurred, a vote by the integration team generated the final decision. The final split between the two suppliers' rep firms was relatively similar; 55% of the reps chosen were previous channel members for the acquiring firm, and 45% were previously affiliated with the firm that was acquired (the one external rep firm also was chosen).

As we predicted, affiliation bias was a key pitfall in the sales management framework without the recommended empirical corrections. The paired mean differences for raw or uncorrected employee ratings were significant ($p<.05$) for all evaluative dimensions, as we summarize in Table 3. The average mean difference across all the dimensions was 0.433 ($p<.01$), and because these are standardized scores, this result can be interpreted at 0.433 standard deviations. Thus, on average, employees rated sales channels with which they were previously affiliated 0.433 standard deviations higher than they did sales channels from the other supplier. In the uncorrected scores, Supplier A's employees chose their "own" channel partner 90% of the time, and Supplier B's employees chose theirs 81% of the time. These empirical results are consistent with comments from the sales managers and channel members, who described their experience during past consolidations as "politically rather than performance driven" and noted that "the acquiring sales organization typically shows favoritism towards existing channel structure based on past relationships."

The least amount of affiliation bias is observed for product synergies (0.215, $p<.05$) and organization structure, facilities, and systems (0.367, $p<.01$); the largest bias occurred for sales and marketing capabilities (0.672, $p<.01$). These results are intuitive, in that synergies and organizational factors can be more objectively evaluated, which reduces opportunities for bias, whereas sales and marketing capabilities are more subjective and prone to bias.

The same analysis after correcting for affiliation bias shows a different result. The mean differences for previous affiliations are not significant for four of the evaluative dimensions (cf. sales coverage, mean difference of −.130, $p<.05$) or the average of the evaluative dimensions. With these corrected scores, Supplier A's employees chose their "own" channel partner 48% of the time, and Supplier B's employees do so 57% of the time.

Again in line with our predictions, upward versus downward selling bias appears to be another potential pitfall managers should avoid when integrating sales channels. The correlation analysis (Table 4) of the overall scores (corrected and standardized) between the sales management and customer choice frameworks was significant ($r=.268$, $p<.05$), which implies that sales managers' and customers' perspectives are only moderately related. The sales channel partner recommendations by the sales management framework disagreed with the customer choice framework in 38% of the territories. These findings again reinforce comments made by sales channel personnel during qualitative interviews. For example, even when there was a competitive process among the channel members, the reps

Table 4
Results: correlations among frameworks and post-integration sales growth

Evaluative frameworks	1.	2.	3.	4.	5.	6.
1. Sales management framework	1.000					
2. Historical performance framework	−.148	1.000				
3. Strategic fit framework	.236	−.278*	1.000			
4. Customer choice framework	.268*	−.217	.002	1.000		
5. Balanced framework	.402**	.515**	−.078	.677**	1.000	
6. Sales channel post-integration one-year sales growth	.369*	−.278	.160	.384*	.211	1.000

**$p<.05$ (one-sided); **$p<.01$ (one-sided); $N=20$ or 21 for correlations involving sales channel post-integration one-year sales growth; $N=42$ or 43 for all other correlations (historical data not available for one external firm).

perceived that the winner was typically whoever "put on the best show," with little regard for "true sales capabilities." Apparently, the sales channels' effort to sell upward to sales managers during territory visits or meetings sometimes masks their lack of sales effectiveness focused downward toward customers.

In Table 4, we summarize the correlation analyses among the final scores from the four evaluative frameworks, the balanced framework, and sales growth in the sales channel one year after the integration. Of the four frameworks, only sales management and customer choice are significantly and positively related (.268, $p<.05$), which suggests that each framework may tap into different factors and provide divergent recommendations and/or that the presence of noise in the frameworks may generate unreliable recommendations. In only 37% of the territories (ignoring that which evaluated an external rep firm) do three or more of the frameworks agree. Specifically, historical performance correlated negatively with the three other evaluative frameworks, though only its correlation with the strategic fit framework was significant (−.278, $p<.05$). In total, these findings suggest that the historical performance criteria and/or timeframe selected may be suspect and reduce the level of confidence managers should place in the historical framework for this sample.

More insight can be gained by investigating which framework best predicted future sales growth. Postintegration sales growth was significantly correlated with both the sales management (.369, $p<.05$) and customer choice (.384, $p<.05$) frameworks, and historical performance and sales growth correlated negatively (−.278), which, though not significant, is consistent with the negative correlation of historical performance with the other three frameworks. The balanced framework's correlation with sales growth falls in the middle of the range (.211) of the four frameworks, as we would expect because it represents a weighted average of its four constituent frameworks. These findings reinforce the need to not focus solely on the overall score but rather use balanced-scorecard information in a holistic fashion.

The integration team believed that, for the products offered by the merged company, both technical and purchasing customer groups had control over decisions that might influence future performance. However, for commodity products, buyers were expected to be the primary decision makers, whereas for new, technically complex, or more proprietary products, engineers would be more critical. Therefore, on the basis of the existing sales breakdown and the organization's future strategic direction, the team weighted purchasing and technical selling effectiveness equally in the customer choice framework. The correlational analysis suggests that the technical group was more informative; channel partners' sales effectiveness for engineers was significantly correlated with sales growth (.434, $p<.05$) and greater than the correlation with channel partners' sales effectiveness for buyers (.140, ns).

Post hoc discussions with sales managers suggested that the timeframes for which the historical performance data were calculated included an industry-wide decline for some of the channel's products and markets, whereas sales growth was calculated during a period of rapid recovery, which may have made the historical performance results spurious. A sensitivity analysis demonstrates that the results changed dramatically according to the timeframe and performance metric selected, in support of the conclusion that, for this sample, historical performance data should be weighted lightly if used at all. When the weighting for historical performance was set to 0, the overall balanced score is significantly related to sales growth (.530, $p<.01$) and accurately predicts 90% of the channel members ultimately selected. Thus, once the spurious historical performance data were removed, the balanced framework appeared to provide the best indicator of future rep performance.

The selection process was completed in less than three months and initiated positive feedback from both sales managers and rep firm owners. The clearly defined and objective basis for the decision process generated appreciative comments from channel members, including "the fairest firing I have ever gone through" and "I wish more suppliers would use more than just the sales managers' opinion in making a decision." No legal issues developed from terminated channel members, including partners with more than 20 years of history with the supplier. Regional managers also reported that the process helped them learn about one another's businesses: "We not only selected the best rep firm but we also really learned a lot about their [the other supplier's] business" and "I didn't feel as if they [acquiring company] were always going to pick just their own reps." Finally, senior managers reported that the level of conflict generated from the selection process was low, which enabled the new sales and marketing group to start forming as a team.

6. Discussion and implications

Missing revenue and growth estimates have been identified as the primary reason that M&A fail to achieve financial objectives (Lynch & Lind, 2002; Mallette et al., 2003), and the critical first step in maintaining and growing revenues after an M&A is the successful integration of sales organizations (Homburg & Bucerius, 2005; Mallette et al., 2003). This article outlines a framework and process for improving the effectiveness of integrating sales channels after M&As and identifies some of the common pitfalls executives face. Both participant feedback and empirical results suggest that by correcting for expected biases and using a balanced-scorecard approach, merged companies can avoid some potential problems, promote organizational learning, reduce employee conflict, and select more effective sales channel partners.

By integrating data from four different sources-sales management, historical performance, strategic fit, and customers—the balanced-scorecard provides a "360 degree" view of sales channels and minimizes the biases associated with any one perspective. Integrating these inputs is supported by a resource-based view of the sales channel where each input addresses different criteria necessary for maximizing the value of an important organization resource (Barney, 1991). For example, sales managers provide important insight into future coordination effectiveness, historical performance reflects sales channels past performance relative to other alternatives, strategic fit indicates alignment with heterogeneous resources, and customer loyalty is a ready source of hard to duplicate competitive advantage.

Furthermore, the visual representation of data and the transparency of the proposed process support decision making

in an otherwise confrontational environment, so that the process, in a sense, chooses the channel partner in more than 80% of the territories. Managers thus can focus on a limited set of remaining territories, for which an easy-to-perform sensitivity analysis and a data-rich format make the decision process less personal and more objective. Even when a senior manager must make a subjective decision, the limited scope and supporting data may help minimize the negative impact of that decision on the sales team's ownership and future motivation.

The prevalence of affiliation bias means that existing selections likely are suboptimal (e.g., Rangan et al., 1986; Weiss & Anderson, 1992). Correcting for past affiliation effectively removes this bias, so if decision makers must use sales managers' uncorrected input, they should rely more heavily on objective dimensions (product synergy, organizational structure, facilities, and systems) than subjective ones (sales and marketing capabilities) because they are less prone to affiliation bias. In addition, though it is less prevalent, our findings regarding the upward versus downward selling bias suggest that if decision makers relied entirely on the sales managers' framework, some reps with the highest customer loyalty would be terminated (nearly 40%), potentially providing competitors with a strong, knowledgeable channel by which to access existing customers.

According to the findings, which admittedly may be specific to this sample, using historic performance frameworks in selection decisions results in outcomes opposite to those recommended by sales growth data in a majority of the territories. In this arena, the questionable nature of the historical performance data emerged only when they were compared with the three other frameworks, which reinforces the advantage of triangulating across multiple perspectives and data sources. In other samples, different frameworks may prove to be unreliable. For example, here, the strategic fit framework was not significantly related to sales growth, sales managers' evaluations, or customer input, but it was widely discussed and generated many insights during team meetings, both when the team was developing the ideal profile and when it was discussing territories for which the choice was not clear. Therefore, the three frameworks, other than historical performance, appear to capture unique, important information about channel member performance, and only by triangulating these multiple sources can a firm arrive at a complete picture and identify spurious data. In this sense, the visual nature of the balanced-scorecard worksheet (Fig. 2) again proves beneficial, because it enables decision makers to identify suspect data, recognize similarities and differences among frameworks, assess the impact of various weights, and perform real-time sensitivity analysis. Executives who relied on any single framework would have generated different and potentially suboptimal outcomes.

One surprising result, considering the commodity nature of a large portion of the company's product offering, was the larger impact of the channel partner's selling effectiveness on sales growth for engineers than for buyers. Post hoc discussions with sales managers and rep salespeople offered several potential explanations. Because it is much more difficult for sales channels to access and support engineers, their responses may discriminate better between average and exceptional channel partners, whereas buyers' evaluations of support may reflect merely whom they like or frequently interact with. Although this finding is based on only one year of sales growth data, a small sample size, and a single industry, it provides an interesting avenue for further research: Customer satisfaction and loyalty studies, even for commodity products, may be enhanced by focusing on respondents beyond the typical purchasing contact.

A common dilemma facing managers is to what degree it is appropriate to base decisions (e.g., compensation, channel evaluation) on outcomes versus behaviors or intermediate selling metrics (Anderson & Oliver, 1987). These findings demonstrate the strengths and weaknesses of each approach; outcome-focused frameworks were arguably both the best (customer choice) and the worst (historical performance) in predicting performance. Customer choice seemed to capture the results of a wide range of sales channel partners' actions successfully, whereas historical performance demonstrated the difficulty and sensitivity of selecting the optimal performance metrics and timeframes. Alternatively, the sales management and strategic fit frameworks focused on the behaviors and attributes that were expected to generate positive performance outcomes. Sales managers' insights, after they were corrected for affiliation bias, proved valuable in predicting performance; and strategic fit, though not significantly related to performance, offered many insights into channel partners' characteristics, which then helped managers understand anomalies in the results from other perspectives.

In summary, these findings suggest that senior managers tasked with sales channel integration should take a balanced perspective when making channel decisions to avoid the biases and weaknesses associated with any one approach. A transparent, data-rich methodology that encourages a cross-section of employees to participate in the decision process may help reduce conflict, support knowledge transfer, and ensure support from constituents.

7. Limitations and future research directions

The context and methodologies employed in this research offer both advantages and limitations. Because we evaluated the process and framework during a single data acquisition and conducted many of the analyses across only 21 territories, care should be taken in generalizing these findings. Similarly, the industrial market and manufacturing representative focus of this study suggests that additional context-specific research is needed to extend the framework into other markets and types of intermediaries.

We took various steps to remove expected biases or problems, but the limitations and assumptions underlying these steps must be acknowledged. For example, we applied corrections when we expected differences that were external to the two suppliers' sales channels to impact the data (e.g., products sold, end markets serviced). Our approach was to calculate the relative performance among all channel members of one supplier, because these would have the same products and service similar end markets. We then compared the standardized relative performance of the sales channels in the same territory. Thus, a sales channel that reflected the average performance of all Supplier A's sales channels would have the same score as a one that reflected the average performance of all Supplier B's sales channels (0 on a standardized scale). This approach assumes that the average performance of

both suppliers' sales channels is similar; in situations in which one supplier's sales channels are much better than the other's, this correction would generate skewed results.

Using multiple inputs and objective data and correcting for biases improves the objectivity of the results, but "gaming" the system is still viable. If sales managers realize their input is going to be corrected, they might attempt to make their responses even more extreme. Ideal sales channel characteristics, synergistic product evaluations, and relative weights also are susceptible to bias. Because the overall score of the balanced-scorecard represents a weighted averaged of input from the four frameworks, any spurious inputs will skew the results. Therefore, care should be taken not to accept the overall score as the "answer" until any problematic data are removed; in addition, using the overall score in conjunction with "vote counting" across different frameworks may provide more robust guidance.

Some of the specific challenges we faced during this research also offer insights for improvement. Our difficulty with collecting data from multiple constituents within a three-month period suggests that firms that expect to integrate sales channels should outline the process and prepare for data collection as early as is feasible. Another refinement that needs further study is the possibility of widening the scope to include more outside channel partners (i.e., sales channels not representing either supplier), in which case adding another step to the process to identify strong external candidates might be warranted. Moreover, rather than having the integration team develop relative weights, a more analytical approach could be used (e.g., indicators of reliability to determine relative weightings) to offer another refinement.

Although the scope of this paper is sales channel integration, many of our findings can be extended to other integration issues an organization faces. For example, post-M&A affiliation bias and the corrective measures applied in this study should be evaluated in the context of product rationalization, head count reduction, and factory consolidation decisions. In addition, the balanced-scorecard framework could be used to evaluate direct sales organizations with only slight modifications (e.g., changing the evaluative dimensions of the strategic fit and sales management frameworks). Further research is warranted in these areas.

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Appendix A

Construct	Scale items [1]	Cronbach's α
Sales Management Framework Survey		
Organizational structure, facilities, and systems		.77
	This rep firm's facilities are above average.	
	The management and ownership of this rep firm is very stable.	
	This rep firm has well defined policies and procedures.	
	This rep firm appears to run very smoothly.	
	This rep firm has invested in customer management systems to make themselves more effective.	
Sales coverage		.84
	This rep firm has more than enough outside salespeople to cover their territory.	
	I feel that some salespeople have too many customers to handle. (reverse)	
	Overall, this rep firm covers their territory extremely well.	
	The location of this rep firm's salespeople allow it to cover all parts of its territory.	
	Some market segments are poorly covered by this rep firm. (reverse)	
Sales and marketing capabilities		.86
	This rep firm's salespeople are very knowledgeable about our products.	
	This rep firm has very skilled salespeople.	
	This rep firm's salespeople are some of the best I have ever worked with.	
	The salespeople at this rep firm are technically very competent.	
	This rep firm has a very good understanding of their marketplace.	
Product (service) synergies		.79
	A majority of the sale calls with purchasing made by this rep firm are also our potential customers.	
	A majority of the sale calls with engineering made by this rep firm are also our potential customers.	
	Most of this rep firm's lines are commodity products. (reverse)	
	Most of this rep firms lines are components that are put onto a printed circuit board.	
	This rep firm doesn't have any category leading suppliers besides us. (reverse)	
Motivation or mindshare		.76
	We have always gotten more than our fair share of their time and effort.	
	Our position on the line card results in good mindshare with this rep firm.	
	This rep firm often takes the initiative and contacts multiple people at our factory.	
	I wish this rep firm would spend more time on our line. (reverse)	
	Overall, I am satisfied with the mindshare we receive from this rep firm.	
Customer choice framework phone survey		
Phone survey preamble: "I am going to ask you a series of questions regarding the rep firm: *<rep firm covering this customer>*. Please rate each of the following statements using a scale of 1 to 7, with 1 being strongly disagree and 7 being strongly agree."		
Existing and "new" customer sales effectiveness		.78
	This sales rep provides me excellent support.	
	I deal with this sales rep for many different products.	
	Given the choice I would deal with this sales rep versus any other rep.	
	I often contact this sales rep for support.	
	I would pay a slight premium to deal with this sales rep.	
"Now, I would like to repeat these same questions for another rep firm: *<other rep firm in this territory>*."		

[1] All are seven-point scales with "strongly disagree" and "strongly agree" as anchors.

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