

**TRACK: HUMAN RESOURCES MANAGEMENT
VARIABLES THAT WOULD INFLUENCE ON CUSTOMER ORIENTED MANAGEMENT AND
SALESPEOPLE PERFORMANCE**

ABSTRACT

Customer oriented is decisive for developing long term relationship with customers, achieving sustainable sales growth over time. This research is to identify, how salespeople's experience (SE), training level (TL) and job satisfaction (JS), as well as some of its antecedents such as job involvement (JI), role ambiguity (RA) and incentives policy (IP) would influence their customer orientation (CO) and, consequently, their sales performance (SP). The hypotheses were tested with the responses of 327 executives of medium and high positions in various business sectors in Chile. Results support the hypotheses that these variables would influence on customer orientation and salespeople performance.

KEYWORDS: Job satisfaction, customer oriented management, salespeople performance.

INTRODUCTION

Studies support that a better understanding of the client causes positive changes in portfolio management (Mulhern, 1999; Niraj et al., 2001; Reinartz et al., 2005) and sales results (Brown et al., 2002, Jaramillo and Grisaffe, 2009). Thus, a customer value-oriented management (*Customer Value Management*, CVM) presents greater management benefit perspectives because their philosophy is based on the premise that resources are scarce and therefore should be carefully assigned to customers with more value for the company, since it is these that direct business success (Valenzuela, 2007).

Moreover, the advances in information technology and communication (ITC), the growth of customer expectations, the growth of their knowledge and requirements, could affect the area of sales. Given this scenario, the authors Ingram, Ávila, Schwepker and Williams (2001) suggest the need to lead the sales force in new activities in response to market dynamics such as work in coordination with other functional areas (marketing, customer service), maintaining a close relationship with customers, get information from them and create competitive advantages in the long term.

Under this perspective, Zoltners, Sinha, and Lorimer (2008) suggest that the skills, abilities, values and motivation of sellers influence the behavior of customers and these have an impact on organizational performance. The salespeople oriented towards the costumers avoid actions that sRAifice the interests of the client to improve the likelihood of making an immediate sale (Saxe and Weitz, 1982, p. 344). Including salespeople hope to go one step further to protect their interests, since this is compensated by the positive customer reciprocity with word of mouth and loyalty, generating new customers and greater value for stakeholders (Kumar et al. 2008, Macintosh, 2007).

The purpose of this research is to identify, how salespeople's experience, training and job satisfaction, as well as some of its antecedents such as job involvement, role ambiguity and incentives policy would influence their customer orientation and, consequently, their sales performance. This study contributes providing empirical evidence of some of the variables that would influence sales performance among 327 executives and upper half companies in Chile that manage their businesses globally. Mostly, the companies belonging to the service sector, which has a high impact on the economic and social development.

LITERATURE REVIEW

According to the quantitative study of Storbacka, Polska and Saaksjarvi (2011) the need to contribute to a sales model that incorporates the selection of appropriate segments, process definition, sales roles, and practices related to business management is a crucial tool to maintain long-term relationships, create value and improve performance. Indeed, Williams and Wiener (1990) point out that any force that encourages the seller to give emphasis on short-term gains will have a negative influence on long-term sales as a result of the low level of customer orientation. However, the degree of customer orientation may vary depending on the type of industry, country or market types that are being studied.

Based on Miralles (2002) the degree of orientation that the company has towards its customer can be measured through four dimensions: 1- Socio-Cultural Strategic Profile (Degree to which the strategy developed by the company relates to its customers. For example, the role of the sales force); 2- The Adequacy of the Sales Force (Proposition and adaptation level of the commercial team to innovate solutions delivered to customers); 3- Managing Clients and Prospects (Degree in which the sales force efficiently manages the resources available to the company to achieve adequate customer interaction) and 4- Flow Management from Client Information (Ability of the sales force to collect, store and distribute information. The origin of the information comes from the sales force)

It is crucial to have a team to accompany the client to increase sales, to advise them, listen to their concerns, formulate solutions and find ways to make profits (Hernandez, 2009). According to research by the Business Consultant (Qualitas - Hispania, 2005) customer orientation by sales force requires: 1. Understand the business, customers, trends and implications to the market. 2. Build a good relationship with the client. 3. Maintain good relationship 4. Differentiate from the competition, that is, how the Sales Force maximizes their competitive advantage putting their competitors at a disadvantage. 5. Optimize resources to ensure proper customer interaction. That means, obtain sales revenue that will impact organizational outcomes is feasible (Alet I Vilaginés, 1994) if efforts point to establish a profitable and loyal relationship with the customer.

PROPOSED MODEL AND HYPOTHESIS

From the literature review and empirical studies already validated we propose the following model that explains the relationships between the constructs, of which are formulated research hypotheses.

Insert Figure 1

The model highlights the fundamental role of the sales team to manage customer relationships based on creating value and good service, which in turn influences the development of better sales results, customer loyalty and profitability (Qualitas - Hispania, 2005; Alet i Vilaginés, 1994). Thus derives the first hypothesis of this study:

H1: *The degree of **Customer Orientation (CO)** by the salespeople is positively related to **Salespeople Performance (SP)**.*

According to the theory and evidence from the literature the degree of CO by the sales team depends on: a) *Favorable Job Satisfaction*, understood as "*a function of the perceived relationship between what one wants in a job and what is offered*" (Stanton, Buskirk, and Spiro, 1997) and thus involves all the characteristics of the job and its environment, which sellers can find rewarding of satisfying. Insofar that the degree of satisfaction is higher, the commitment to the organization and the customer will be greater. (Ugboro and Obeng, 2004), b) *Level of Training*, there is empirical evidence that shows that it is an important factor that influences the degree of customer orientation (Harris, Mowen and Brown, 2005) c) *Sales Force Experience*, since it increases the degree of customer orientation (Frank and Park, 2006). The following assumptions are derived from the study:

H2: ***Job Satisfaction (JS)** is positively related to the degree of **Customer Orientation (CO)** by Sales Force.*

However, the JS depends in turn on the involvement or the degree to which individuals identify themselves psychologically with their job (Lawler and Hall, 1970; Darden, McKee and Hampton, 1993; Kanungo, 1982). Ruh, Kenneth, Wood (1975) determine that the involvement with their work is affected by individual differences and characteristics of the labor situation. In this sense, Rabinowitz and Hall (1977)

propose a model where the involvements in their jobs include a dispositional approach (employee's attitude toward their work), a situational approach (working environment) and an approach that is the result of the dispositional and situational interaction (employment effects). For this research the emphasis on Job Involvement (JI) is put on the provision that the employee has, as a determining factor in the quality of service delivered to the customer and quality of sales managing

The significant relationship between the involvement of any person with their job and effort to achieve their business objectives and goals of the company are based on different studies (Brown, 1998), absenteeism (Wegge, Schmidt, Parkes and Dick Van , 2007), the degree of boredom, involvement and job satisfaction (Behrouz, Ghader and Hasan, 2011) and customer value orientation that the organization possesses (Durson and Kilic (2011). The evidence presented on the relationships that job engagement has, allows the development of the following hypothesis:

H2.1: ***Job Involvement(JI)** is positively related to **Job Satisfaction (JS)** of the sales force.*

Moreover, the role ambiguity (or conflict) (RA) also influences JS, since the RA includes single or multiple individual roles faced which clearly are not reported in terms of behavior (activities, tasks or priorities) or desired performance levels (how performance is judged) (Kahn, Wolfe, Quinn, Snoek and Rosenthal, 1964). Role conflict occurs when employees perceive that the expectations and requirements of one or more colleagues are incompatible and cannot meet all the demands made on them (Churchill, 1976). Naylor, Pritchard and Ilgen (1980) state that RA is when members of the sales force are uncertain about the results or evaluation of their product, or the consequences that this might bring on them.

According to Breugh and Colihan (1994) the RA has three key aspects: the methods of work, schedule and performance criteria that affect job satisfaction. In this sense, causes of perception of RA come from different origins and and because of this, the ways to overcome them are different (Keller, 1975). This is demonstrated by a number of investigations that relate RA with satisfaction (Rizzo, House and Lirtzman, 1970, Cooke and Rousseau, 1984; Singh, 1998), participation, performance, stress and job turnover intentions (Rizzo, House and Lirtzman, 1970, Singh, 1998), efforts of the salesman as a component of the stress of the job and affects job satisfaction (Usahawanitchakit, 2008) and influencing significantly and directly on customer orientation with negative consequences for organizational performance (Durson and Kilic, 2011). As a result of these previous studies, the following hypothesis is formulated.

H2.2: *Role Ambiguity (Conflict) (RA) is positively related to Job Satisfaction (JS) of the sales force.*

With regard to incentives for the sales force depends on the type of organization. The benefit structure that a company gives to their workers sets their competitive position in the industry (Fay, Knight and Thompson, 2001). The most frequent forms of incentive are: commissions, bonuses, benefits and non-monetary incentives. The existence of these methods in a company are important for workers to the extent that they feel that their contributions to the organization allows them to face financial burdens, set their standard of living and achieve targets for employment and social status. (Martocchio, 1998). Empirical evidence supports the importance of the existence of Incentives Policy (IP) in organizations in all its forms and manifestations (Gerhart, Minkoff and Olsen, 1995). Authors like Milkovich and Newman (1996) note that the remuneration of employees plays a key role in company-employee relationship, being the source of good results by the sales force.

According to Leonard (1990) IP affects financial benefits. And Muczyck (1988) points out that productivity in businesses could increase in a range of 15% to 35%. However, the effect on profitability is obtained only when the remuneration policy is consistent and long-term (Huselid, 1995; Carlson, Upton and Seaman, 2006). Therefore, it is crucial to have an effective incentive system that organizations are aware of their own characteristics, preferences and buying behaviors of their customers and the relevant changes in their environment (Ehrenberg and Milkovich, 1987; Rajagopalan, 1997; Montemayor, 1996, Gomez-Mejia and Balkin, 1989; Gerhart and Milkovich, 1992). The literature shows a host of studies that relate to the performance of IP (Chang and Chen, 2002; King- Kauanui, Ngoc and Ashley-Cotleur, 2006), with low personnel rotation and increased sales productivity (Huselid, 1995), with the positive change in behavior of employees (Milkovich and Newman, 1996), with the positive change of behavior of sellers even in critical moments of companies (Murphy, 2004), the IP must be a combination between monetary incentives and non-monetary incentives to impact intrinsic motivation (Gneezy and Rustichini, 2000, Chang and Chen 2002; King-Kauanui, Ngoc, S.D. and Ashley-Cotleur, 2006; Carlson, Upton and Seaman, 2006), that the IP at times represents an investment greater than the amounts aimed at advertising (Zoltners, and Prabhakant Lorimer, 2006) and are generally higher in those risk-adverse agents. Therefore, the IP becomes a key factor in sales

managing, since the output that is received by the seller for their performance and therefore affects their productivity. This is how the following hypothesis is explained:

H2.3: *Incentives Policy (IP) is positively related to Job Satisfaction (JS) perceived by the sales force.*

The third variable which influences on customer orientation of the sales force is Salespeople , which refers to the path that the individual has performing similar tasks for sales management, being in the same or in a different company with equivalent responsibilities and activities. The association of this variable in the model is due to the importance of the sales force team in developing business strategy and responsibility to deliver good service. Investigations of Venakatachalam and Reddy (1996) indicate that the ambiguity or employment continuity has no effect on Job Satisfaction, but show a significant impact on participation and willingness that one has in his job. In relation with the results of Maranto and Rodgers (1984) and Venakatachalam and Reddy (1996) is what Skirbekk (2003) implies in his research, which indicates that the impact of job experience is directly aimed at productivity potential. Based on the evidence presented, the following research hypothesis shows:

H3: *Salespeople Experience (SE)) is positively related to the degree of Customer Orientation (CO) by Sales Force.*

The fourth variable that measures the degree of CO by sales people is the Training Level. Overall the training of employees is one form that companies have, so that members of the organization participate in a process to acquire the knowledge and skills necessary to do their jobs. There are two ways to perform this activity within the company, formal manner, with standards, objectives and time set for the process; and an informal manner where colleagues instruct those who join the company. Studies done in different parts of the world such as Asia (Boselie, 2001), the United States, Europe (Hoque, 1999) and Africa (Ghebrejorgis and Karsten 2007), demonstrate the positive impact of those companies that incorporate training as part of the company's policies, versus others that do not. Furthermore, Schlesinger and Heskett (1991) notes that it's ideal for a company that decides to instill a philosophy oriented to Customer Value, provide training, resources and a good reward system necessary to support, motivate their salespeople and provide tools to generate an effective sales force oriented to customer value. Babin and Boles (1996) add that the supply of key resources such as equipment and training is crucial to facilitate good employee performance. The

authors Koka and Hein (2003) conclude that training encourages employees and through this their work performance can improve. Stone (2007) Kushnir, and Shalish Ehrenfeld (2008.), Longenecker (2010) and Martin (2010) follow the same line and ensure that a good Training Level can motivate employees to increase their productivity and performance in the job. Based on the evidence presented, we have the following research hypothesis:

H4: Training Level (TL) is positively related to the degree of Customer Orientation (CO) by Sales Force.

SAMPLE AND METHODOLOGY

To obtain this data, a survey was self-administered of a simple transverse design during November and December 2011. The study was applied to 327 employees in positions of leadership and upper middle companies in Chile (mainly service sector: financial, retail and consulting). An English version of the questionnaire was developed and then translated to Spanish and back translated from Spanish to English. The surveyed were predominantly male (79%) with an age range of 25-34 years (34.6%) and 35-44 years (48.9%). 98% have completed college levels and (50%) have been in their position of work for five years or more. The method used to administer the questionnaire was mostly online (262 = 80%) and in person (65 = 20%). The sampling procedure is not probabilistic by judgment.

To establish measuring scales with good reliability and validity, we used the procedure suggested by Deng and Dart (1994). The first stage consisted of ensuring content validity of the measuring scales included in the questionnaire and subsequently collecting data from a representative sample. In a second stage, the data obtained was used to analyze the psychometric properties of the measuring scales applied in this study. All the dimensions were measured by 7-point (ranging from *totally disagree* to *totally agree*) multi-item scales. The criteria used to examine the unidimensionality, convergent validity and reliability of the models were: Kayser-Meyer-Olkin greater than 0.6, Eigenvalue greater than 1, the Bartlett Sphericity test less than 0.5, factor contents greater than 0.7 and Cronbach's alpha greater than 0.7 (Table 1). To measure the consistency of the model variables, a confirmatory factor analysis was used (CFA) using AMOS 19.0. The AFC results are satisfactory, since the standardized normalization factor all contents were significantly higher

than 0.7 and at $\alpha = 0.01$ (Table 1). Also absolute adjustment indexes, incremental and parsimony are satisfactory for all models and sub-models used in the proposed model (Appendix 1). This allowed us to determine the association of the variables of the model and corroborate the hypothesis of the study.

CONCLUSION AND MANAGERIAL IMPLICATIONS

Today, technological progress has made the customer more demanding, now that you can get more information through various means (internet, blogs, social networks, etc.). Hence, attract, satisfy, retain, and develop the profitable customers is a complex task. Thus, the sales team play a vital role because they have the most contact and interaction with the customers. In this context, incentives policy are crucial to favor the perception of job satisfaction and positively influence in the intrinsic motivation of employees through monetary and non-monetary forms. Job satisfaction is related to the quality of service (De la Torre et al, 2007), which in turn is critical for preference, recommendation and loyalty from customers. Herein lies the importance of good management of the sales force and customer-oriented, since their performance directly impacts sales results, customer loyalty and profitability. This was demonstrated through the model proposed in this research and the results of the empirical study.

The role and needs of the sales force are important not only for transactions, but also for the reputation of the company, due to the visible faces of salespeople who are crucial to the company. People make an impression of a company not only because of its products and its infrastructure, staff attention is an important element in creating the perception that customers see in a company or brand. Poor care can be crucial for a client to not repurchase, and opt for the competition (Peel, 1999).

With regard to the limitations of the study you can see that the influence of time is not considered on the application of the model and the results obtained. Moreover, the study does not take into account the differences between the companies under study (sector, size, hierarchical levels in commercial equipment, technology, competition, industry attractiveness, types of customers, types of products, etc..) that can influence important determinants of effectiveness of a good sales management. Accordingly, as future research, it is interesting to capture the effect of the variables in the models proposed in different industries: financial services, mining, construction, trade, among others. And also evaluate how political, social, economic, or other types of products are relevant to the industry in question and thus influence organizational

results. Another important challenge is to keep track of the company's strategies. As evidence of Kumar (2011) points out the differences in results depending on the timing of implementation of a market-oriented culture, each of the variables presented in the models possesses different behavior in their business application. In conclusion, this study could be applied to other developing countries in Latin America, which have a similar idiosyncrasy to Chile and seek to manage their business with a clear focus on global and competitive market, and depending on the current and potential value of customers.

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FIGURE 1: PROPOSED MODEL

Source: Own Elaboration

TABLE1: SCALE ITEMS AND SCALE STATISTICS

Latent Variables	Item Description	Factor Loading	Coefficient Cronbach	KM O	R	R2
CUSTOMER VALUE ORIENTATION Based on Reinartz and Kumar, 2005; Valenzuela and Torres, 2008; Valenzuela, 2010; Kohli and Jaworski, 1990.	CVO1: offers after-sales service to meet their customers.	,718	,918	,906	0,58	0,34
	CVO2: frequently communicates with their customers.	,861			0,86	0,74
	CVO3: cares to generate long-term relationships with their customers.	,823			0,8	0,64
	CVO4: allows their customers to make suggestions for products and / or services delivered.	,816			0,81	0,66
	CVO5: systematically analyzes product or service attributes that customers value most.	,855			0,86	0,74
	CVO6: constantly analyzes the information it collects from their customers (satisfaction, preference, loyalty).	,823			0,81	0,66
	CVO7: reaches their own goals when customers achieve theirs.	,730			0,71	0,5
	CVO8: constantly collects information about consumer tastes.	,767			0,79	0,62
TRAINING LEVEL Based on if M. , 2010	TL1: training is done before a new employee fills his position.	,825	,880	,842	0,76	0,58
	TL2: training performed during the time the employee is in office.	,909			0,91	0,83
	TL3: useful tools deliver trainings for employees.	,895			0,88	0,77
	TL4: offers good quality training to employees.	,806			0,73	0,53
	TL5: trainings enable better organizational results	,685			0,61	0,37
EXPERIENCE OF SALES FORCE Based on Robbins, 1998; Montes and Correa, 1995, Chan, Kin Yim, Lam., 2011.	ESF1: the most experienced employees deliver better customer service than employees with little experience.	,796	,861	,803	0,75	0,56
	ESF2: employees with more experience in the sales help to achieve better organizational results.	,856			0,9	0,81
	ESF3: employees with more experience in the sales area have better relationships with customers.	,900			0,79	0,62
	ESF4: employees with more experience in the sales area have better knowledge of the market.	,815			0,71	0,5
JOB SATISFACTION Based on Jaramillo, Grisaffe, 2011.	JS1: employees feel that their job helps their personal development.	,813	,907	,85	0,82	0,67
	JS2: employees contribute to creating a good working environment.	,841			0,81	0,66
	JS3: employees feel supported by their superiors.	,881			0,9	0,81
	JS4: employees feel supported by their peers.	,852			0,82	0,67
	JS5: employees enjoy working for the company.	,844			0,87	0,76
	JS6: satisfied employees perform better in their jobs.	,902			0,54	0,29
	JS7: motivated employees enable better organizational results.	,915			0,51	0,26
INCENTIVE POLICY Based on Gerhart, Minkoff and Olsen, 1995	IP1: has adequate cash compensation in relation to the work performed.	,796	,817	,858	0,71	0,5
	IP2: promotes employees first before looking at external sources.	,746			0,67	0,45
	IP3: has monetary benefits for their employees, related to their good performance.	,841			0,82	0,67
	IP4: has non-monetary benefits for their employees, related to their good performance.	,829			0,8	0,64
	IP5: provides incentives to employees who work on increasing organizational results	,866			0,86	0,74
AMBIGUITY (CONFLICT) ROLE Churchill, 1976; Rizzo, House and Litzman, 1970, Davis and Newstrom, 1991.	RA1: The employees know their responsibilities.	,838	,767	,890	0,64	0,62
	RA2: Employees know their tasks.	,880			0,79	0,76
	RA3: Employees have clear objectives.	,894			0,87	0,81
	RA4: Employees have goals planned in their job positions.	,845			0,9	0,81
Job Involvement Based on Montes and Correa, 1995, Robbins, 1998.	J11 Employees engage in work that is directly related to their skills.	,786	,848	,786	0,67	0,45
	J12: Employees assume company goals as their own set by the company.	,874			0,83	0,69
	J13: Employees do not leave their jobs with pending tasks.	,825			0,74	0,55

	J14: Employees know that their work has a direct influence on the results of the company.	,834			0,77	0,59
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APPENDIX 1

CONFIRMATORY FACTOR ANALYSIS

SUB - MODEL 1: Job satisfaction (measured by Job Involvement, Ambiguity role and Incentives Policy)

Goodness of Fit	Measures of Fit	Criteria	Results of the CFA
Absolute fit indexes	X ² (sig.) GFI	>0.05 0 = poor and 1 = perfect	526,378 (9) sig. ,000 0.91
Incremental fit indexes	NFI /TLI IFI / CFI	> or = 0.9 Between 0 and 1	0.85/0.86 0.88/0.87
Parsimony	PNFI	Between 0 and 1	0.7
Reliability of the construct	Composed reliability index	>0,70	0,72

MODEL PROPOSED

CONFIRMATORY FACTOR ANALYSIS

CUSTOMER ORIENTATION DEGREE BY THE SALES FORCE (Measured by Training Level, Job Satisfaction and Experience of Sales Force)

Goodness of Fit	Measures of Fit	Criteria	Results of the CFA
Absolute fit indexes	X ² (sig.) GFI	>0.05 0 = poor and 1 = perfect	527.283 (9) sig. ,000 0.9
Incremental fit indexes	NFI /TLI IFI / CFI	> or = 0.9 Between 0 and 1	0.85/0.89 0.89/0.89
Parsimony	PNFI	Between 0 and 1	0.72
Reliability of the construct	Composed reliability index	>0,70	0,76

