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The effects of incentives and personality on salesperson's customer orientation

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Abstract

Numerous strategies for increasing customer orientation of salespeople, including customer satisfaction-based incentives and selective recruiting, have been suggested; however, little is known about their effectiveness. This study replicates and extends findings from two previous studies by testing the effects of customer and sales volume-based compensation and personality characteristics on the customer orientation of salespeople. Customer satisfaction incentives and salespeople's level of empathy were positively related to customer orientation. Sales volume incentives and job tenure were negatively related to customer orientation. Empathy moderated the effect of customer satisfaction and sales volume incentives on customer orientation. A discussion of the findings, managerial implications, and suggestions for future research are all presented.
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1. Introduction

Organizations are turning toward increased customer satisfaction as a key strategy to use in building long-term relationships [1]. In this regard, the salesperson's behavior can have a great impact on overall customer satisfaction [2]. Thus, companies can positively affect customer satisfaction by increasing the customer-oriented behavior of their salespeople. For example, a survey of 453 firms found that 10% of the firms tied customer satisfaction to salespeople's compensation, with an additional 11% of reporting firms planning to incorporate customer satisfaction incentives by year's end [3].

Despite the growing use and importance of customer satisfaction-based compensation, little is know about its impact on salesperson's customer orientation. The goal of customer satisfaction incentives is to motivate salespeople to perform customer satisfaction-based activities [4]. However, the actual impact of customer satisfaction-based compensation is not well understood due to conflicting findings from two empirical studies that investigated this area. That is, customer satisfaction incentives motivate salespeople to better resolve customer problems [5]. Further, the use of customer satisfaction incentives increased overall customer satisfaction. When the salesperson's compensation was entirely based upon customer satisfaction, more customer service calls were made than when compensation was entirely based upon sales volume [6]. However, the highest level of customer service occurred under a blended incentive system that was split evenly between sales and customer satisfaction.

The purpose of this study is to investigate the impact of customer satisfaction-based incentives and personality characteristics on the customer orientation of salespeople. More specifically, this study is a balanced replication of Sharma and Sarel's [6] study using an improved field methodology that provides greater external validity. In addition, to extend the research, the effects of personality characteristics on customer orientation are examined. Personality characteristics have been shown to have a consistent impact on the level of adaptive selling, a necessary trait of customer orientation [7–9]. Finally, this study examines the impact of personality characteristics on the motivational ability of sales and customer satisfaction incentives.

2. Model and hypotheses

Information from an extensive review of extant literature was used to construct a model of the influence of personality

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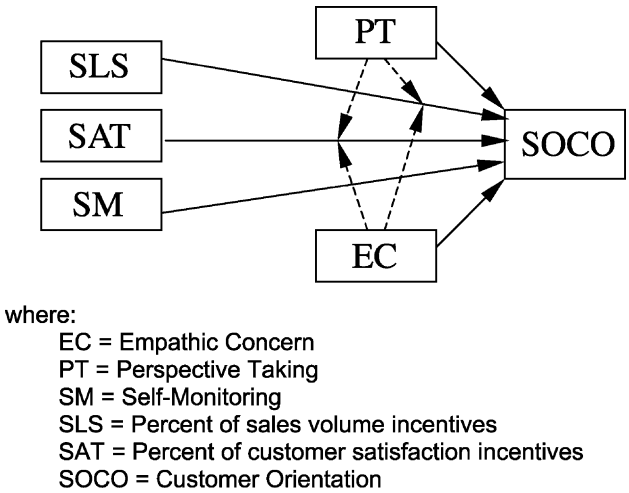

Fig. 1. The effects of personality and compensation on customer orientation.

and compensation on salespeople's customer orientation. This model is shown in Fig. 1.

2.1. Incentives

The structure of an incentive system can influence salesperson's perception of the probability of reward for different types of performance [10]. Customer satisfaction incentives motivate salespeople to be customer-oriented by rewarding them for increasing the satisfaction of their customers [3]. Sales-based incentives, in the form of commissions, motivate salespeople to increase sales volume in order to receive additional rewards [11]. As customer satisfaction incentives increase, there should be a corresponding increase in the customer orientation of salespeople. Conversely, as the percentage of sales-based incentives increases there should be a corresponding decrease in the customer orientation of salespeople [1].

However, logical the above statements appear, the results from Sharma and Sarel's [6] study raise doubts about the effectiveness of customer satisfaction incentives on raising the customer orientation of salespeople. For instance, at certain combinations of sales volume and customer satisfaction incentives, increasing the level of customer satisfaction incentives actually decreases customer-oriented responses [6]. However, Pasquill [5] found customer satisfaction incentives increased customer-oriented behavior. Thus, Hypotheses 1a and 1b are:

> *Hypothesis 1a:* There is a direct relationship between the percentage of customer satisfaction incentives and salesperson's customer orientation.

> *Hypothesis 1b:* There is an inverse relationship between the percentage of sales-based incentives and salesperson's customer orientation.

2.2. Self-monitoring

Self-monitoring is an ability to modify one's self-presentation to match role expectations in different social situations [12]. Self-monitoring is a two-stage cognitive process with the first stage being the perception of situational cues and the second stage being the modification of behavior to match those situational cues. Individuals who are high in self-monitoring are concerned about the situational and interpersonal appropriateness of their behavior, and use perceived cues to regulate or control their self-presentation to others [8].

Salespeople who are high in self-monitoring ability are better able to perceive the selling situation and to modify their selling behavior to match customer expectations. Self-monitoring has been shown to have a positive effect on adaptive selling [7–9,13]. Self-monitoring ability can enhance salespeople's ability to better match customers' needs to products and solutions. Despite the potential of self-monitoring to encourage greater customer orientation, no research to date has investigated this relationship. Thus, Hypothesis 2 is:

> *Hypothesis 2:* There is a direct relationship between salesperson's level of self-monitoring and their customer orientation.

2.3. Empathy

Empathy is composed of cognitive (perspective-taking) and emotional (empathic concern) components [14]. Perspective-taking is the ability to understand and predict another's thoughts, feelings, and actions [15–19]. Perspective-taking is another determinant of adaptive selling [13]. Salespeople high in perspective-taking are better able to understand and meet the special needs of each customer.

On the other hand, salespeople who are low in perspective-taking have difficulty understanding the customer's needs and viewpoints making customers appear to be fickle or hard to please. Salespeople who are low in perspective-taking may feel able to influence sales performance, but unable to influence customer satisfaction through their efforts. Despite the potential of perspective-taking to encourage greater customer orientation, no research to date has investigated this relationship. Thus, Hypothesis 3 is:

> *Hypothesis 3:* There is a direct relationship between salesperson's level of perspective-taking and their customer orientation.

Individuals high in empathic concern have vicarious emotional responses to the perceived emotional experiences of others [16–19]. The emotional dimension of empathy has been shown to have a significant effect on helping behavior [20–24]. Salespeople who are high in empathic concern share their customers' emotions [19]. This creates a desire to maximize their vicarious enjoyment through the satisfaction of the customer. Salespeople who are low in empathic concern may never even think about their customers' emotions. Despite the potential of empathic concern to

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