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Value creation and firm sales performance: The mediating roles of strategic account management and relationship perception

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ABSTRACT

Research on relationship management has extolled the virtue of sellers creating value for their customers. Indeed, loyal relationships, defined as repeated business exchanges, tend to flourish when firms create and deliver value to their customers. While few argue this premise, questions remain regarding the precise delineation of a firm's value creation competence and the mechanism by which it influences the firm's performance. In the current study, the authors define the value creation competence concept and find empirical evidence for its positive effects on firm sales performance (e.g., new customer leads, close rates, retention, revenue, etc.). Interestingly, the results suggest this effect is mediated by strategic account management and the perception of the relationship held between buyer and seller. Both of these findings have implications in establishing that a firm's value creation competence translates into improved sales performance, mediated by strategic account management and relationship perceptions.

1. Introduction

Creating and delivering value for customers has been studied in the marketing literature for many years. Vargo and Lusch (2011) even referenced Plato's comments made over 2000 years ago regarding the need for exchange. Anderson and Narus (1998, 2004) suggested that companies must first understand what customers value (through market sensing and other market-oriented activities) to be able to create said value for their customers. Furthermore, they proposed that by providing value, firms perform better and exhort additional rents; that is, firms gained additional revenue due to the value the companies delivered to their customers (Anderson & Narus, 1995). However, as McNaughton, Osborne, and Imrie (2002) noted, the association between value, market orientation, and firm performance has been tenuous at best.

Indeed, a multitude of studies have examined the links from market orientation to better firm performance with mixed results (Cano, Carrillat, & Jaramillo, 2004; Kirca, Jayachandran, & Bearden, 2005; Kohli & Jaworski, 1990; Narver & Slater, 1990). In their meta-analysis, Cano et al. (2004) found that better performance by firms positively related to market orientation; however, the results of the analyses depended upon the sample and how variables were measured. The Kirca et al. (2005) meta-analysis found similar results but, due to the larger size of this study, the authors were able to delve deeper into other factors and find further effects from cultural factors, as well as the type of performance (e.g., costs versus revenues) measured. While meta-analyses on market orientation–firm performance linkages are enlightening, the opportunities to study mediation effects as well as value creating mechanisms are missing in the extant literature and, therefore, the ability to provide additional insights is curtailed (Kirca et al., 2005).

While the strategy literature has generally shown positive associations between market orientation and firm performance, less is known regarding the intervening value creation methods. For instance, Jaworski and Kohli (1993) showed that organizational performance is reliably influenced by a firm's market orientation, even when environmental factors are adverse. However, even this seminal paper did not investigate the mediation mechanism for the influence of market orientation on a firm's performance. Further, market orientation is a much broader construct, covering intelligence creation, intelligence dissemination within the organization, and organizational responsiveness (Jaworski & Kohli, 1993; Kohli & Jaworski, 1990). Market orientation has wide-ranging consequences, extending beyond firm performance by influencing organizational commitment and esprit-de-corps. Thus, market orientation is an overarching construct with broadly generalizable influences across several consequent constructs.

In contrast, a firm's ability to create value for its customers is more focused on firm performance. Interestingly, market-orientation studies have examined a firm's performance more qualitatively (e.g., overall performance, performance with respect to competition) rather than quantitatively (e.g., close rates, quota achievement, revenue). Market orientation does not show any influence on a firm's market

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share (Jaworski & Kohli, 1993). In explaining these results, the researchers suggested that firm performance is a multi-dimensional construct and could be characterized in several ways, including effectiveness, efficiency, and adaptability measures. The findings have been less than conclusive, and the ability to create improved firm performance via seller value remains a rather pristine research area.

Thus, it is important to examine factors influencing a firm's sales performance in more concrete terms (e.g., close rates, revenue). Examining a firm's ability to create value and investigating that value's effect on firm performance are obviously of great significance. Additionally, understanding the indirect influences will be important. For instance, McNaughton et al. (2002) observed that the influence of market orientation on firm performance may be affected by several intermediate variables that are developed by acquiring knowledge and skill in the course of continuous interactions with the customer. Similarly, understanding the intervening linkages translating value to performance is of equal significance with added implications for practitioners.

Sellers can create superior value if they understand the customers' business, their conversion challenges, and their markets. Such a selling firm's organizational routines must be designed to create a robust understanding of a customer's business, resulting in better performance for their own firm as well as for the customer. Therefore, sellers with a solid understanding of the customer's business needs and markets would be more competent in creating value for their customers and this understanding cannot be accidentally acquired. As such, a "competence" in the strategy literature is generally defined as a set of "skills and resources which enable the company to achieve superior performance" (Harmsen & Jensen, 2004, p. 535) in a way that is almost impossible for competitors to mimic (Barney, 1991; Prahalad & Hamel, 1990). Harmsen and Jensen (2004) examined this concept further by suggesting that value creation must tie market demands to the competencies of the firm that are required to meet these demands. Otherwise, resources will be wasted with no benefit to either the customer or the seller. In summary, value creation competence reflects the core ideas of deeply understanding the customers' business needs and strengthening product–service expertise in these chosen areas. Development of such competency in a selling firm, focused on creating customer value, should eventually be reciprocated by the customer. The authors therefore define a firm's value creation competence as *the firm's ability to understand and translate customer business needs into superior solutions for customers.*

Based on this premise of a selling firm's ability to impact customer value, the theoretical contribution of this paper is to extend the B2B value literature by empirically establishing the links between value creation competence and firm sales performance. In addition, the authors examine the mediation effects of the intervening linkages between value creation competence and firm sales performance.

In the next section, the extant literature is reviewed in order to develop the conceptual hypotheses to be tested in the analysis. Following the hypotheses development, the method for testing the intervening linkages is then presented, including the variable definitions and a description of the dataset. A discussion of the results follows, including the theoretical and managerial implications of the findings. Finally, the limitations of the article are disclosed, as are suggestions for continued work in this research stream.

2. Literature review and hypotheses development

According to Holbrook (1994, p. 22). Other researchers have stated that commerce or exchange "can only be understood by applying the concept of value" (Walter, Ritter, & Gemünden, 2001, p. 366). To understand the extent to which value has been addressed in the B2B marketing literature, the authors surveyed and structured a brief analysis of the field.

In general, there are four themes that summarize the main emphases in academic research to date (see Table 1). First, value creation has been conceptualized as a firm competence. For instance, Möller (2006) proposed that suppliers perceive value in the products and services they offer. Customers perceive value in suppliers' competencies, availability, solution delivery, and understanding of the customers' businesses. Accordingly, specific competencies needed to create value are identified. Ritter (2006) proposed that value creation is predicated on communicating product, process, or market competencies to the customer. The second theme suggests that value creation is a relational activity undertaken by boundary spanning roles (e.g., Srivastava & Singh, 2010; Ulaga & Chacour, 2001). This stream argues that value is created at the relational interface rather than embedded in the offerings. A third theme casts value creation in terms of customer perception, i.e., value lies in the "eye of the beholder," and is found in service quality literature (e.g., Parasuraman, Berry, & Zeithaml, 1991; Ulaga & Chacour, 2001). A fourth theme conceptualizes value as a co-created construct by both the supplier and the customer (e.g., Vargo and Lusch, 2004). The current study is more aligned with the first theme on value creation as a competence.

The previous discussion and Table 1 illustrate the complexity regarding value creation. Sanchez, Vijande, and Gutierrez (2010) noted that customer value creation is a complex and evolving concept. Therefore, the intent of this study is to further explore this complexity and explicate the linkages between value creation competence and firm sales performance.

2.1. The effect of value creation competence on firm sales performance

Various researchers have attempted to link value creation to firm performance and found some association (Troilo, De Luca, & Guenzi, 2009), while others did not find significant effects (Singh and Koshy, 2011; Sanchez et al., 2010). For example, Singh and Koshy (2011) were unable to show support for their model linking value creation to customer satisfaction (via relationship development). In addition, Sanchez et al. (2010) found significant effects from (change word) one value-creating function (volume of supply) on a seller's business performance but did not substantiate other direct or indirect influences on performance. Conversely, Troilo et al. (2009) found supporting evidence for the effects of value on a firm's performance as measured by market share and sales growth. While market share and sales growth are critical dimensions of a firm's performance, in this study the authors assert that a seller's performance is reflected beyond these two measures. Accordingly, the current study seeks to understand the effect of value creation on a broader array of performance measures, including revenue metrics (e.g., overall revenue, average account billing) and critical selling metrics (e.g., close rates, new account acquisitions, customer retention rate). As such, the following hypothesis is put forth in order to test for the suggested effect:

H1. Value creation competence will positively affect firm sales performance.

2.2. The effect of value creation competence on strategic account management

Cannon and Perreault (1999) laid out a continuum of relationships between business accounts that run from transactional (solo-market) exchanges to collaborative exchanges, that peak at strategic partnerships between a buyer and a seller. They found evidence for relationship connectors that serve to define *how* companies interact with each other, as well as effects on customer satisfaction (Cannon & Perreault, 1999). In a meta-analysis of customer-oriented research, results showed that high performance takes place when salespeople focus their expertise on identifying customer needs and offering solutions to satisfy those needs (Jaramillo, Ladik, Marshall, & Mulki, 2007).

Given that value creation has an impact on an organization (Harmsen & Jensen, 2004), it is surmised that this competency also affects how a firm manages its relationships with its customers, especially