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Managing salespeople strategically when promoting new products – incorporating market orientation into a sales management control framework

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ABSTRACT

Salespeople play a pivotal role in promoting new products. Therefore, managers need to know what control mechanism (i.e., output-based control, behavior-based control, or knowledge-based control) can improve their salespeople's new product sales performance. Furthermore, managers may be able to assist salespeople in performing better by having a strong market orientation. The literature has been inconsistent regarding the effects of sales management control mechanisms and has not yet incorporated market orientation into a sales management control framework. The current study surveyed 315 Taiwanese salespeople from publicly traded electronics companies with the aim of contributing to the sales management literature. The results show that sales management controls can directly affect salespeople's innovativeness, which, in turn, affects new product sales performance. However, sales management controls cannot affect performance directly. Furthermore, market orientation can positively moderate the relationship between salespeople's innovativeness and new product sales performance.

1. Introduction

The purpose of this paper is to examine the influence of perceived sales management controls on salespeople's new products sales performance (i.e., electronic goods) in a business-to-business (B2B) context. The moderating influences of market orientation on the relationship between salespeople's innovativeness and new product sales performance will also be investigated. New product development and promotion is an expensive and time-consuming process that suffers from a high failure rate (Jonash & Sommerlatte, 1999; Krishnan & Zhu, 2006). Although there are additional risks associated with new product promotion (e.g., financial and brand image), the introduction of innovative new products is a critical success factor (e.g., the ability to generate sales and gain market share) for many corporations (Jonash & Sommerlatte, 1999; Krishnan & Zhu, 2006). According to Kim and Atuahene-Gima (2010), successful new products can improve corporate image, attract new customers while retaining existing clients, recruit new talent, and generate significant revenues and profits. Given the importance of new products for firm performance and given that only a small percentage of new product initiatives survive in the marketplace, additional research is needed on the factors that lead to the successful commercialization of new products (Fu, Richards, Hughes, & Jones, 2010).

Salespeople play an important role in selling new products. First, as Fu et al. (2010) and O'Hara (1993) noted, sales representatives are crucial for selling new products that were previously unfamiliar to consumers because these individuals interact with potential customers, identify their needs, determine how their needs can be fulfilled by available products, and explain product features to consumers when necessary. Second, several studies indicate that companies generally spend more resources on their salespeople than they spend on advertising. Thus, it is essential for companies to ensure that their salespeople are effective and efficient (Ahearne, Rapp, Hughes, & Jindal, 2010; Zoltners & Sinha, 2005). In the case of high-tech products, which are often characterized by rapid product innovation, intense competition among competitors, and features that are challenging for some consumers to implement (Tellis, Yin, & Niraj, 2009; Thompson, 2009), the performance of salespeople in promoting new products is particularly important. In a recent industry report published by McKinsey & Company, Batra and Kaza (2012) argued that electronic companies that manufacture and sell computer components (e.g., semiconductors) can grow their businesses significantly if their salespeople can function more effectively.

Because new products are sometimes unfamiliar to salespeople and potential clients, supervisors may need to employ control mechanisms to improve sales performance (e.g., Ditillo, 2012; Evans, Landry, Li, & Zou, 2007; Matsuo, 2009). These mechanisms may include implementing

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arrangements to measure the new product sales results of each salesperson, monitoring the input-output transformation process, or achieving the ability to transfer knowledge within the sales team. In addition to the effects of various management control mechanisms, the influence of an organization's degree of market orientation as perceived by its salespeople should be considered. Within the sales management literature, Hsieh, Tsai, and Wang (2008) and Matear, Osborne, Garrett, and Gray (2002) have noted that an organization's degree of market orientation can have profound effects on salespeople's performance.

The importance of salespeople in selling new products must be further explored (Fu et al., 2010; Spanjol, Tam, Qualls, & Bohlmann, 2011). In particular, the current literature has not yet fully considered the combined influence of perceived sales management control and an organization's perceived degree of market orientation on salespeople's innovativeness and new product sales performance. Other than Matsuo (2009), few scholars have examined the influence of knowledge-based control on innovativeness and sales performance. In knowledge-intensive industries, such as technology, finance, and marketing, the presence of employees who can transfer knowledge is an important source of advantage (Ditillo, 2012; Matsuo, 2009; Piercy, 2010). Second, the mediating effect of salespeople's innovativeness requires further research because this subject has received little attention in the new product sales management literature. Third, the understanding of the influence of market orientation on salespeople would benefit from additional investigation. Fourth, existing studies have mainly focused on managers' perceptions of their initiative's outcomes (e.g., Hsieh et al., 2008; Matsuo, 2009), but salespeople's perspectives remain to be further explored (Baldauf, Cravens, & Piercy, 2005). To contribute to the existing literature, this study investigates the new product performance of salespeople by incorporating market orientation and three sales management controls (i.e., output-based control, behavior-based control, and knowledge-based control) into its proposed framework.

This study has the following objectives. First, drawing on the literature on sales control mechanisms and market orientation studies, this study plans to examine a model explaining the factors that contribute to salespeople's innovativeness and new product sales performance. In particular, the influences of perceived knowledge-based control will be investigated. Second, this study attempts to reveal more information about the ability of salespeople's innovativeness to mediate the relationship between perceived sales management controls and new product sales performance. Third, the ability of market orientation to moderate the relationship between innovativeness and performance will be further investigated. Fourth, the current research aims to explore salespeople's perceptions of the influence of management control and market orientation. Finally, considering information obtained from practitioners who work in high-technology firms, this paper will discuss the managerial implications of the research.

2. Literature review

2.1. Previous literature on sales management control and market orientation

Of the researchers who have studied the performance of salespeople based on sales management control mechanisms and market orientation, the works of Bonner, Ruekert, and Walker (2002), Evans et al. (2007), Matsuo (2009), and Matear et al. (2002) are most relevant to the current research. First, Bonner et al. (2002) examined how formal controls (i.e., process control, output control, and team rewards) and interactive controls (i.e., team operational control influence, team strategic control influence, and management intervention) can affect a business unit's performance on a project. In addition, these authors examined the moderating effects of product innovativeness on the relationship between formal controls and performance. For formal controls, the authors found that only process control affects sales performance negatively and significantly. With regard to their research method, 95 participants with the titles of product manager, project manager, marketing manager, or product development manager were included in the study.

The research of Bonner et al. (2002) contributed to the literature on the way that upper management can affect a business unit's performance when given a new project. However, the authors note opportunities for future research. For instance, their research focused on project performance rather than sales performance. The measurement items that they used were related to budgeting and scheduling rather than to the ability of salespeople to meet the sales objectives established by their organizations. Another research opportunity involves considering an organization's degree of market orientation. Several scholars (e.g., Hsieh et al., 2008; Matear et al., 2002) have noted that market orientation can moderate salespeople's behavior and performance.

In addition to the work of Bonner et al. (2002), Matear et al. (2002) influenced the current research. By examining 231 firms that have developed new services, Matear et al. (2002) examined how market orientation can contribute to firm performance. Their study is unique and important because it is one of the few studies that have investigated the direct effect of market orientation on performance, its indirect effect on performance by first influencing sales innovativeness, and its ability to moderate the relationship between sales innovativeness and performance. Their results show that all three relationships are significant. In other words, market orientation can affect firm performance both directly and indirectly. Moreover, market orientation can moderate the relationship between innovativeness and performance.

The research of Matear et al. (2002) is significant to the sales management literature because of its comprehensive examination of the effects of market orientation. However, the current research suggests that several unexplored research opportunities remain. In particular, Matear et al. (2002) focused only on the influence of market orientation. Other factors that may influence the innovativeness of salespeople have not been considered. It is possible to further the research of Matear et al. by formulating a framework that incorporates the antecedents that may contribute to the innovativeness and performance of salespeople. More specifically, some scholars have suggested that the mechanisms used by a management team to control salespeople have significant effects on sales performance (Bonner et al., 2002; Jaworski, 1988; Piercy, Cravens, & Lane, 2009).

Another study that has significantly influenced the current study is the study by Evans et al. (2007), which examined salespeople's performance by considering sales management controls and salespeople's organizational sales-related psychological climate perceptions. These authors found that output-based control can directly affect sales performance, whereas capability control does not have such an effect. Their study is important to the current research because it confirms that some control mechanisms can affect sales performance. Additionally, Evans et al.'s work is one of the few recent sales management studies that examines salespeople's perspectives. However, opportunities for further research remain. For instance, the authors of the previous study did not examine the relationship between behavior control and sales performance.

Finally, the study conducted by Matsuo (2009) has also influenced the current study. In Matsuo's research, a framework that examines the factors that affect salespeople's performance was proposed and tested. Based on an examination of the responses of 199 Japanese sales managers, the results show that management's attempts to control salespeople through behavior-based control and knowledge-based control positively influence salespeople's innovativeness, which, in turn, affects sales performance. However, Matsuo (2009) also found that output-based control does not significantly negatively affect salespeople's innovativeness – a result that is contrary to Matsuo's expectation. Although the work of Matsuo (2009) is significant to the sales management literature, there are additional opportunities for further research. Matsuo (2009) suggested that future researchers should continue to investigate the relationship between output-based control