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Salesperson regulatory knowledge and sales performance

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ABSTRACT

Salesperson knowledge is an important factor leading to sales performance. Extant literature, however, is silent on the impact of a specific sub-dimension of knowledge—namely, regulatory knowledge or a salesperson's understanding of his or her industry's regulatory environment. This study proposes that salesperson regulatory knowledge is positively associated with sales performance and that individual-level factors (i.e., self-efficacy and customer orientation) and the industry-level factor regulatory turbulence positively moderate this direct effect. Furthermore, the study predicts that the firm-level factor organizational entrepreneurial orientation (EO) positively influences salesperson regulatory knowledge. Two studies analyzing business-to-business salespeople test the conceptual model. The results show that regulatory knowledge is positively associated with sales performance and that customer orientation and industry regulatory turbulence positively moderate this relationship. The findings also reveal that organizational EO is an antecedent to salesperson regulatory knowledge.

1. Introduction

Business-to-business (B2B) salespeople act as problem solvers to help clients by finding answers to business problems. The nature of this problem-solving role, however, has fundamentally changed in recent years. Customers now have access to a vast amount of business intelligence, thus eliminating information asymmetry (Grewal et al., 2015). Organizational buyers aware of specific problems are now able to complete a high percentage of the needs identification and buying processes without engaging with the selling firm. Thus, the true value contribution of salespeople is not necessarily in finding solutions to problems prospects know they have but in identifying problems yet to be recognized (Adamson, Dixon, & Toman, 2012).

One area of commerce that is particularly problematic for firms is the turbulent and evolving nature of governmental oversight and associated regulatory pressures (Coffey, McLaughlin, & Peretto, 2016; Ewing, 2012). Regulation/legislation represents one of the "top three things CEOs worry about the most" (Groysberg & Connolly, 2015). The costs and complexity associated with regulatory compliance are growing at an accelerating rate and becoming an increasingly important consideration for all companies around the globe (Zeng, Chi, Dong, & Huang, 2017). Consider, for example, that in 2008, U.S. federal regulations cost companies more than $1.75 trillion (Crain & Crain, 2010). By 2012, these costs rose to more than $2 trillion, or $230,000 per U.S. firm (National Association of Manufacturers, 2014). Importantly, regulatory burdens and the associated costs affect every business sector in the U.S. economy and across the world. These regulatory costs range from 10% (i.e., health care) to 29% (i.e., manufacturing sector) of total payroll expenses (Crain & Crain, 2010).

Political involvement and regulations are recent macro-trends that have significantly altered the B2B buying process (Grewal et al., 2015). Thus, as regulatory burdens become increasingly dynamic, firms require guidance from experts external to the organization. Salespeople are uniquely positioned to serve in this role and become trusted advisers, guiding customers though regulatory obstacles. Research confirms that in complex solution selling situations, salespeople can provide value by disrupting and reframing the way customers think (Hohenschwert & Geiger, 2015). This influencing strategy of shaping customer cognitive processes aligns with recent meta-analysis work identifying salesperson knowledge as part of the category of salesperson-related variables that have the highest correlation with sales performance (Verbeke, Dietz, & Verwaal, 2011). For salespeople to successfully disrupt and reframe the way their customers think about regulatory issues, they must themselves have in-depth knowledge about the subject. The current study introduces the construct of salesperson regulatory knowledge, defined as a salesperson's perceptual understanding of his or her knowledge of the industry's regulatory environment. The central relationship this study examines is the role of a salesperson's regulatory knowledge in affecting sales performance.

The conceptual model developed and empirically tested herein suggests that a salesperson's regulatory knowledge has a positive influence on his or her sales performance. We also propose and test boundary conditions of this positive main effect. Specifically, relying on Bandura's (1977) self-efficacy theory and the literature on customer

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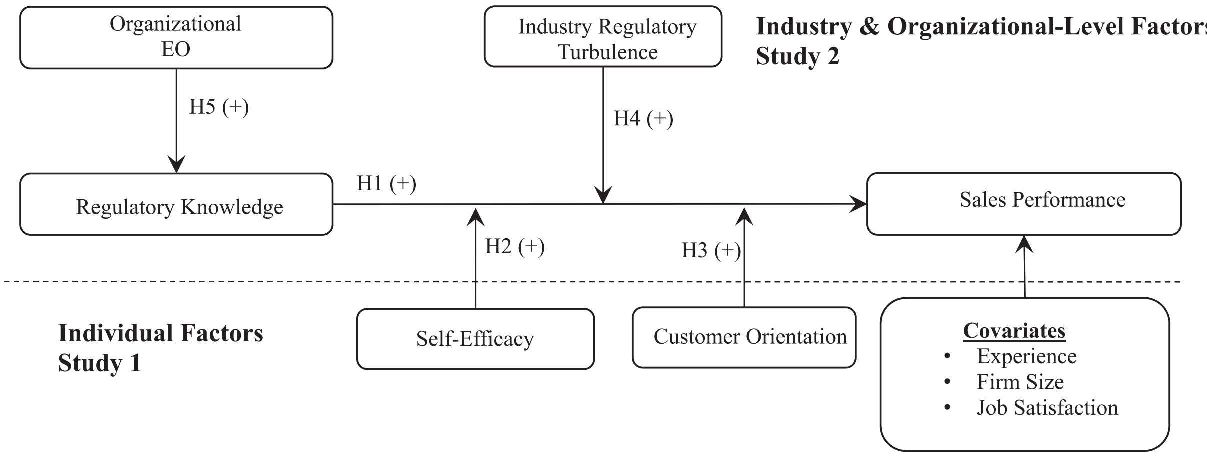

Fig. 1. The effect of regulatory knowledge on sales performance.

orientation, we hypothesize that a salesperson's self-efficacy and the level of his or her customer orientation moderate the positive relationship between regulatory knowledge and sales performance. We also hypothesize that the degree of regulatory turbulence in a salesperson's industry positively moderates the regulatory knowledge–sales performance relationship. Finally, we introduce the firm-level factor organizational entrepreneurial orientation (EO) as an antecedent to salesperson regulatory knowledge. Fig. 1 depicts the conceptual framework.

This paper makes several theoretical and substantive contributions. First, the paper adds support to the importance of salesperson knowledge (Verbeke et al., 2011) by introducing a more granulated concept of salesperson knowledge to the literature—specifically, salesperson regulatory knowledge. While this concept is largely missing in the literature, the regulatory burdens firms face continue to change, as does the demand for insights in the area. Salespeople armed with regulatory knowledge appear to be more effective at sharing such insights with customers to enhance sales performance. Second, this study offers individual-level boundary conditions to the salesperson knowledge–sales performance relationship. Third, the study provides evidence that the importance of salesperson knowledge is situationally dependent and contingent on industry conditions. The results suggest that regulatory knowledge has a greater influence on sales performance for salespeople operating in industries with high levels of regulatory turbulence. Finally, the study identifies organizational EO as an organizational-level antecedent of salesperson regulatory knowledge.

2. Theoretical background and hypotheses development

Research categorizes salesperson knowledge as being either declarative (knowledge about facts) or procedural (knowledge about strategies guiding behavior) (Leigh, DeCarlo, Allbright, & Lollar, 2014). Declarative knowledge allows salespeople to classify and rate the quality of sales encounters and identify customer needs, while procedural knowledge allows salespeople to adapt their sales processes to customer demands (Szymanski, 1988). The relationship between salesperson knowledge and sales performance is well established in the literature. Verbeke et al.'s (2011) meta-analysis identifies salesperson knowledge as the general sub-category of variables that have the highest correlation with sales performance. This finding is in line with new conceptualizations of the role of salespeople as knowledge brokers who add value to customers by offering novel insights (Adamson et al., 2012).

Salespeople expert in certain knowledge domains are able to guide customers through the buying process; in general, these domains include knowledge about the products/services they sell and knowledge about the customers they serve (Verbeke et al., 2011). A specific example of customer knowledge is knowing about customer decision-making processes, customer preferences, competitor actions, and industry trends (Agnihotri, Rapp, & Trainor, 2009; Verbeke et al., 2011). Yet the effect of a salesperson's knowledge of his or her industry's regulations on sales performance is largely missing in the literature.

2.1. Regulatory knowledge

According to institutional theory, firms are largely affected by forces external to the organization. These forces include the set of formal rules developed through government initiatives, including both legislative and regulatory actions (Scott, 1995). Such public policies range from employment and labor law, to environmental protection acts, to safety and health oversight (Shaffer, 1995). Adapting to changes in industry regulations and the uncertainty associated with dynamic public policy represents a major challenge for management (Malesky & Taussig, 2017; Pugliese, Minichilli, & Zattoni, 2014). Salespeople acting as knowledge brokers (e.g., Verbeke et al., 2011) are well positioned to help assuage these concerns and ensure regulatory compliance.

Regulatory knowledge is a form of declarative or explicit knowledge that can be codified and transmitted (Grant, 1996). Salespeople can acquire regulatory knowledge through active learning and other experiences. Considering the complex regulatory environment customers from every industry face (Crain & Crain, 2010) and the difficulty for B2B buyers to navigate regulatory hurdles (Grewal et al., 2015), regulatory knowledge is a particularly valuable resource. Salespeople who can provide insights into dynamic and changing regulatory environments to their customers will likely be rewarded by enhanced loyalty and ultimately sales performance. Thus, we propose that salesperson regulatory knowledge has a direct positive effect on sales performance.

H1. Salesperson regulatory knowledge is positively associated with sales performance.

2.2. The moderating role of self-efficacy

Despite the expected positive main effect of salesperson regulatory knowledge on sales performance, this relationship is likely to contain key boundary conditions. We consider salesperson self-efficacy as one theoretically grounded individual-level boundary condition. Self-efficacy refers to the "belief in one's capabilities to organize and execute the course of action required to produce given attainments" (Bandura, 1997, p. 3). In the context of personal selling, self-efficacy represents salespeople's perceptions of their ability to sell the products and/or services they are tasked with selling (Brown, Jones, & Leigh, 2005). Prior research finds a positive relationship between self-efficacy and sales performance (e.g., Brown et al., 2005; Wang & Netemeyer, 2002).