



**Working Paper
No. MA-16-01**

**Customer Orientation and
Performance: Exploring
Linear and Quadratic
Effects**

Mala Srivastava and Mahesh Luthia

NMIMS School of Business Management**Working Paper Series****Aim**

The aim of the working paper series of NMIMS School of Business Management is to disseminate the research done by faculty members of the School and help to stimulate discussion and elicit feedback on the research from professional colleagues while the research are at pre-publication stage.

Submission

All faculty members of NMIMS School of Business Management are eligible to submit working papers.

Review Process

All working papers are refereed.

Copyright Issues

The copyright of the paper remains with the author(s).

Keys to the first two digits of the working paper numbers

FI: Finance; ST: Strategy; MA: Marketing; OP: Operations; IT: Information Technology;
EC: Economics; HR: Human Resource; CO: Communication

Disclaimer

Views expressed in this working paper are those of the authors and not necessarily that of NMIMS School of Business Management.

Published (on line) by

NMIMS School of Business Management
V.L. Mehta Road
Ville Parle (West)
Mumbai - 400056

Contact

chandrima.sikdar@nmims.edu

Series Editor

Chandrima Sikdar

Customer Orientation and Performance: Exploring Linear and Quadratic Effects

Mala Srivastava* & Mahesh Luthia**

Abstract:

The business practices of financial institutions have evolved dramatically during the past two decade. Personal selling has been the key channel by which the financial product are made available to the customer. Salespeople play an important role in communicating with the customers and build strong relationship and have a strategic impact on organizations. Finding in the sales literature indicate that Customer orientation has a significant impact on sales performance. In the context of consultative selling, higher customer orientation on the part of the sales people can lead to mutually beneficial relational outcomes also. Customer orientation is found to increases customer loyalty with interaction-oriented buyers, strong brands, and individualized products (Homburg, Müller and Klarman, 2011). The authors feel that an over emphasis on CO may result in lower sales outcomes for sales person especially in financial products where uncertainty is high and financial loss may be in the offing. The study was carried out among sales people in the Banking and Financial Service Institutions. Empirical evidence reveals that, while customer orientation has a U-shaped relationship with sales performance but a linear and positive relationship with relational outcome.

Keywords: Customer orientation, quadratic, relational outcomes, performance, financial products.

*Professor, IIM Kashipur, Kashipur, Uttarakhand, India

Email: mala.srivastava@iimkashipur.ac.in

** Assistant Professor, SVKM's Institute of International Studies, Mumbai, Maharashtra, India.

Email: mahesh.luthia@svkmiis.ac.in

Readers should send their comments on this paper directly to the author.

Introduction

The Indian financial services industry has been undergoing a major revolution in recent years due to deregulation, disintermediation, globalization, and technological progress. These forces have combined to cause an increased competition between various financial institutions like commercial banks, insurance companies, non-banking financial companies, co-operatives, pension funds, mutual funds and other smaller financial entities. The traditional boundaries between the businesses of each group of financial institutions is blurring.

Most players are using direct sales agents to reach their markets. The diverse entities are competing aggressively for the same pie of business leading to mis-selling and breach of trust of consumers to achieve the numbers. Also, with so many players coming in the ring and with little differentiation amongst each other, competition is primarily based on pricing and services. Thus the biggest challenge that managers are facing is attracting and retaining customer cost-effectively. The business practices of financial institutions have evolved dramatically during the past two decade. Personal selling has been the key channel by which the financial product are made available to the customer.

When purchasing a financial product a consumer typically buy a promise and must trust the supplier to honour it (Harrison, 2003). Financial products have three characteristics i.e. uncertainty of returns, transparency in communication and poor comparability which make it difficult for a buyer to make the decisions especially in a competitive and uncertain market. Financial institutions typically use personal selling and rely on sales person to explain their offering, close deals, build relationships (Sangari, 2014). Sales agents act as a main information transfer mechanism Rajatanavin & Speec (2004) and play an important role in establishing long term relationship between buyers and seller. They form the primary link between buyer and seller and have significant influence on the buying decision.

A large body of research in sales explores ways in which organizations and managers can positively enhance outcomes of salespeople while also meeting customers' needs and increasing the bottom line. Salesperson performance has long been a topic of research interest to marketing academicians and practitioners. Performance of sales people has a visible impact on the overall effectiveness of the organization and hence sales performance has always been an area of keen interest. Assessing performance provides important information for key managerial decisions on training and incentivizing performance (Jaramillo, Mulki and Marshall, 2005).

An emerging theme on sales performance has been customer orientation which has been the key idea for shift from a transactional approach to a more consulting-oriented approach by sales person. Such an approach lays greater importance on knowledge and skills which are necessary to build and maintain long-term relationships. Consultative salespeople add value to buyer-seller relationship by increasing customer's dependence on the sales person (Pelham, 2006). This approach is expected to result in customer retention and higher performance for the sales persons. The focus of such Customer Oriented behaviors is to help customers to make purchase decisions and nurture relationship with customers (Jaramillo *et al.*, 2007). It is expected that customer orientation also leads to significant relational outcomes like customer retention, customer life time value etc.

The focus of consultative selling is on adding value in the exchange process, it is important to assess if customer orientation actually leads to increase sales performance. Since the inception of the concept of customer orientation (CO) researchers have hypothesized that customer orientation plays a fundamental role in explaining sales performance. However, Franke and Park's (2006) meta-analysis challenged this notion with findings of a non-significant effect of customer orientation on objective sales performance. This counterintuitive result led us to investigate the relationship between customer orientation and its impact on sales performance. If one looks at the study included in the meta analysis it is observed that

the relations explored are correlational or linear. Thus assuming that managers are urging sales people to be more customer oriented in a hope to improve performance without really understanding the present levels of customer orientation. However, it can be argued that managerial task is not to increase CO but improve sales outcome. This prevailed us to revisit the relationship between the two construct and propose an inverted U such that high levels of customer orientation may reduce performance. In addition to sales performance customer orientation is also expected to achieve relational outcomes. The role of customer orientation is extremely important when selling financial products which needs a fair amount of interaction between buyer and sellers and also a level of trust and complexity.

The present study seeks to resolve the following question a) Does customer orientation lead to higher performance? b) Do relational outcomes lead to enhanced performance? c) Is the relationship between CO and performance nonlinear? The paper first presents background literature and traces existing studies to develop a conceptual model the research hypotheses. This is followed by the research methods used, results and discussion on the findings of the study. Finally, managerial implications, limitations of the study and directions for future research are presented.

2. Conceptual frame work and Hypothesis

2.1 Performance

Churchill *et al.* (1985) defined performance as an evaluation of the salesperson's behavior considered in reference to the contribution of the behavior to the organization's goals. Cross *et al.* (2007) defined performance as an assessment of a salesperson's success in terms of quantity and quality of achievement. Research also suggests that performance is in fact not unidimensional but multidimensional and that viewing performance from a behavioral perspective requires multiple

performance dimensions (Walker *et al.*, 1977). In the proposed study, the performance dimension that are studied are Sales performance and relational outcomes.

2.1.1 Sales Performance

Sales is the ultimate performance measure and has been defined and measured using sales volume, dollar sales, managerial evaluations, or self-report measures of sales effectiveness (i.e., "in-role" criteria). Although recent research has distinguished between in-role and "extra-role" aspects of sales performance (MacKenzie, Podsakoff, and Ahearne 1998), this paper will focus on in-role aspects of performance.

Anderson and Oliver (1987) suggested that sales performance consists of the salesperson's outcomes in terms of revenues, market share, accounts and profitability. A selling firm's objective is classically to achieve performance of sales people in terms of sales outcomes in the form of sales volumes, higher margins and large market share. Plank and Reid (1994) defined sales performance as an outcome of carrying out a set of discreet and specific activities which could vary in different selling roles or contexts. These outcomes must be valued by managers and should facilitate objective comparison. The present study broadly adopts the Anderson and Oliver (1987) definition.

2.1.2 Relational outcomes

Performance, comprising of activities and behaviors employed by sales persons to meet their job requirements and responsibilities have a positive effect on outcome performance as the activities may have a direct link to generating sales. However, this traditional approach is changing the relationship selling context, with growing emphasis on the ability of sales people to build long term relationship with customers. Assessing performance purely based on sales quotas of volumes achieved by the sales person provides myopic perspective of performance hence analyzing performance beyond these

traditional measures would provide a wider perspective of the effect of sales behaviors and skills (Piercy, Cravens and Lane, 2009).

Selling and marketing of complex products and services require salespeople to assume the role of "relationship managers" for their customers. Such a mutually beneficial long-term relationship with customer is the focus relationship selling and expected outcome of customer oriented behaviors which sales people endeavor to seek (Crosby *et al.*, 1990). The present study sees relational outcomes as the ability of a sales persons to get referrals, be able to cross- sell products and retain customer.

2.1.3 Relational outcomes and sales performance

The idea of building relation for profitability is not new, there is growing understanding that investing on relationship with the customer leads to higher performance. Customer's willingness to promote the services is one of the important outcomes which a sales person can achieve based on its relationship with customers. Such an approach would lead to positive word-of-mouth communication and yield referrals and new customer leads. Additionally the relationship would impact perceived expertise of the sales person and increased dependence on the customer, with the sales person being able to cross-sell products (Bendapudi and Berry, 1997). The ability to cross-sell a number of different products by the financial adviser or sales person is an indicator of sales effectiveness (Johnson and Grayson, 2005). Satisfied customers would help customer retention and could have positive financial impact in terms of profitability. Such customer would seek additional services (cross-buying) and spread a positive word-of-mouth communication (references), even if the firms charge a premium since the customer value this relationship (Zeithaml, Berry and Parasuraman, 1996). Hence one can conclude that relational outcomes can lead to better sales performance.

Hypothesis1: Relational outcomes have a positive impact on sales performance.

2.2 Customer Orientation

Customer orientation of salespeople is central to modern sales theory. Manifested as a marketing concept at the individual level it is, the employee tendency to meet customer needs in the era of relationship selling and consultative selling (Brown *et al.*, 2002; Guenzi, Luigi & Troilo, 2011). Salesperson's customer orientation is the set of behaviors (Singh and Koshy, 2008) which are aimed at understanding the customer's needs by helping them to identify alternatives by presenting an evaluation of the alternatives and selecting the best solution. It also lays emphasis on engaging in behaviors aimed at increasing long-term customer satisfaction by avoiding short sighted sales tactics that sacrifice customer interest (Jaramillo *et. al.*, 2007).

Saxe and Weitz (1982) conceptualized Customer orientation as a practice of the marketing concept, however it fails to elucidate if it is a philosophy or a strategy at the individual level (Wachner, Plouffe and Grégoire, 2009). Customer orientation in their study has been conceptualized as characteristics of salespersons' which would help in understanding variance in sales outcomes. Other anomalies exist in the conceptualization of the individual's customer orientation and its impact on sales performance. A sales person may actually adopt a sales orientation depending on the sales situation and use customer oriented behavior depending on the situation. Also, there is inconsistency in the ability of customer orientation to predict higher performance (Singh and Koshy, 2008)

Many firms are attempting to implement this marketing concept among their frontline salespersons who are in direct customer interaction. Increasing competition and rising customer demands, expect sales people to be high on customer orientation. Singh & Koshy (2012) derived six domain areas of the salesperson's customer orientation construct which integrated salesperson's customer orientation, marketing concept, and other related interpersonal behavioral constructs. Based on their analysis they defined Customer Orientation as "Customer-centric behaviors, which includes gathering and

disseminating information relevant for customers, to understand and continuously fulfill their hierarchy of latent needs, and to keep them satisfied by creating and delivering value through long-term relationships.”

With increasing competition financial service providers are providing integrated financial services that aim at offering their customers seamless service of banking, investment and insurance products. In absence of a customer orientated sales force, even the most supportive organization culture would not be able derive a strong relationship with customer. An outcome of sales force customer orientation is better relationship with customers. Interpersonal skills, problem solving approach, adaptive response, and regular follow-up positively impacts the buyer-seller relationship (Williams and Attaway, 1996). Salespeople have to be motivated to engage into customer oriented selling, the findings of this study provides many usable managerial implications that are practical and workable in sales organizations to address the gaps in motivating sales persons to develop strong a customer orientation (Guenzi, Luigi & Troilo, 2011).

Sales people with higher Customer-Orientation can develop high level of customer satisfaction resulting in enhancement of a strong customer base for the company Findings of Kilic and Dursun (2008) indicate a positive relationship between customer orientation and relationship development, indicating strong customer orientation leading to higher overall customer satisfaction, resulting in enhanced buyer-seller relationship (Kilic and Dursun, 2008). Based on the above discussion, Customer Orientation has been defined as the characteristics of salespersons' that aims at assessing customer's needs, offering products that satisfy those needs and helping them to make satisfactory purchase decisions. It facilitates leading to creating and delivering value to the customer and building sustainable relationships (Saxe and Weitz, 1982; Jaramillo *et. al*, 2007; Singh & Koshy, 2012).

2.2.1 Customer Orientation and sales performance.

Findings of Schwepker et al., and Good (2013) indicated that customer-oriented selling impacts on both outcome and behavior performance. By adopting a strategic approach to understand customer needs and help them to reach their objective can result in higher returns for the salespeople (sales-related performance). Hence providing a strong rationale for managers to encourage such behaviours. It is also important to consider that customer orientation exists as enduring dispositions to behave in a specific sales situation which are influenced by basic traits (agreeableness, emotional needs) of the individual (Brown *et al.*, 2002; Donovan *et al.*, 2004;).

Evidence for a positive effect of salesperson's customer orientation on performance was also represented by Saxe and Weitz (1982). Swenson and Herche (1994) studied the selling behaviors' of the industrial salespeople, found that customer oriented selling behaviors are positively related to salesperson performance. (Cross, *et al.*, 2007). Similar results were found in separate settings by Emiliani (2003) and Wachner et.al. (2009) who analysed the impact of Customer orientation on Sales performance and found a positive effect. Results of a study by Harris *et al.* (2005) re-established that salespeople who have a stronger customer orientation tend to achieve higher levels of sales performance.

A study by Schwepker et al (2013) indicated positive relation between customer oriented selling on both outcome performance and behavior sales performance. The more a sales person is customer oriented the greater sales performance is expected. A strategic perspective of the sales person to assist customers through understanding their needs and assisting clients reach their objectives can expect these efforts to result in returns that will benefit their own sales-related performance. A similar finding is also reported by (Cross *et al.*, 2007) who in their study found that CO has an impact sales performance. Thus we can propose that

Hypothesis 2: Customer Orientation has a direct and positive effect on Sales Performance.**2.2.2 An Alternative Hypothesis Quadratic relationship**

A competing hypothesis may be that CO does not have a linear relationship with sales performance. The problem with H2 is that it implies that sales performance will go up as customer orientation of a sales person increases. However given the nature of the financial products were there is an inherent risk and uncertainty having a high CO may lead to more cautious selling leading to loss of sales. In support with idea are studies of (Howe, Hoffman and Hardigree, 1994; Franke and Park, 2006; Zablah *et al.*, 2012) who report insignificant effect of CO on objective performance. Their results suggest that CO increases self-rated performance and is unrelated to manager-rated performance. Since customer-orientation does not consistently lead to sales or other results that managers value, its effects on manager-rated and objective performance are non-significant raises questions about how effectively customer-oriented selling implements the marketing concept at the salesperson–customer level. Inconsistency of the effect of Customer Orientation on performance has been the rationale to further explores an alternative relation. The conflicting results of CO to sales performance may be because of two reasons first is that every researcher have been assuming a linear relation. Secondly, the positive linear relationship finding may be because of the upslope of a curvilinear relationship. On the other hand the insignificant findings may be because of the down slope of the curvilinear relationship. This encouraged us to explore a U shaped relation between customer orientation and sales performance. Similar relation has been explored by Cadogan and Cui (2004) in their empirical study of the relationship between export market orientation and export sales. This led us to the put forward a U shaped relationship between the two construct.

Hypothesis 3: Customer Orientation has a U shaped relationship with Sales Performance.

2.2.3 Customer Orientation Relational Outcome

Establishing and maintaining a highly integrative customer-oriented sales culture helps such financial services firms to regain their competitive edge as helps in building customer trust and enhances buyer-seller relationship. Since relationship with customers in financial services is very important banks and financial institution have started focusing on relationship marketing, as a way to build strong association with its customers. However, the challenge remains to enrich the value of the relationship with increasing customer demands and expectations (Crittenden, Crittenden and Crittenden, 2014). Relationship marketing refers to a broad range of organization activities aimed at achieving customer loyalty and stimulating repeat purchase over a period of time, the focal point of relationship selling is on relationship building behaviors of the sales person. Hence in relationship selling the sales person focuses on developing an environment which builds trust and warmth ensuring an enduring bond between the seller and customer (Foster and Cadogan, 2000).

This relationship impacts customer trust and satisfaction which especially in selling financial services can be a key performance indicator. One of the key trends in retailing of financial services is customers seeking 'multi-banked' relationships with diverse banks/providers for their various financial products (Jillian, 2004). The customers' interaction with the sales person would also impact the perception of the organization's quality of service but may not necessarily or directly enhance the level of trust in the firm (Foster and Cadogan, 2000).

Results of the study of Zablah *et al* (2012) indicated that in spite of having a negative relationship on objective measures of performance, high customer orientations can positively influence sales effectiveness and the ability of the sales person to engage in relationship building process which is an important function of customer orientation. Based on the above discussion the study proposes the following hypothesis.

Hypothesis 4: Customer Orientation has a positive impact on Relational Outcomes.

2.3 Research Model

Based on the above-mentioned arguments, we propose a conceptual model (**Figure 1**) examining the effects of Customer Orientation and how it influences Sales Performance and Relational Outcomes.

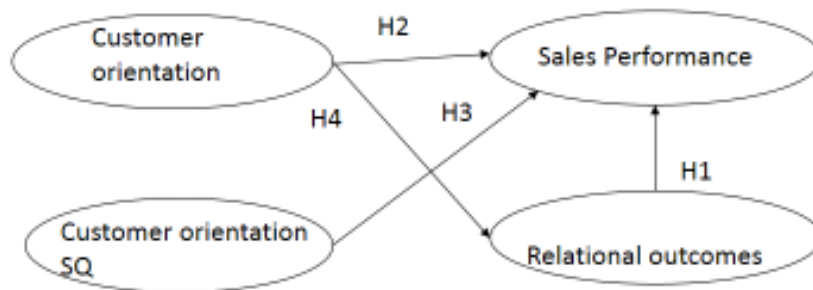


Figure 1: Proposed Model of study

As depicted in the proposed model H1 is relational outcomes affect sales performance.

Customer Orientation (H2) impacts sales performance directly; (H3) Customer Orientation impacts relational outcomes directly. (H4) CO has an inverted U shaped relationship with sales performance.

3.0 Methodology

3.1 Data Collection

The final sample for the study comprised of 328 sales people engaged in selling financial products from various Indian Banking and financial services. Business heads of the respective firms were contacted to explain them the study and its outcomes. Data was collected through a structured questionnaires administered to respondents in person. The sample comprised of a large set of respondents, 63% who possessed a post graduate qualification. 37% of the respondents were graduates. A major segment

62.5% of the respondents had spent over 5 years in the profession. Within this segment, 23.2% had an experience of over 10 years in the profession, followed by 24.7% who had an experience of over 2 years and less than 5 years. 8.5% of the respondents had experience of over a year, and 4% of the respondents had experience of over 9 months.

3.2 Measures

The construct measures used for the study were derived from existing literature, modified scales adapted to the research context. Based on responses during the in-depth interviews with experts, face-validity of the items of each construct was established. This stage also helped in achieving a more manageable list of items that could be operationalized taking the constraints of the sample in mind. The pilot helped to testing the reliability of the items and validity to ascertain that the measurement scales captured the constructs of significance in the present study.

The Nine-item scale ($\alpha = .772$, see table 1) was developed to measure Customer Orientation using a modified SOCO scale developed by Saxe, and Weitz (1982) and subsequently modified and validated by Thomas Soutar and Ryan (2001). The Relationship item were added based on review of Singh and Koshy (2012) and Saxe, and Weitz (1982) as the original scale lacked such components which were important for relationship development Williams Michael and Attaway (1996). Saxe, and Weitz (1982) suggested that a trust based relationship with salespeople fosters more receptiveness from customer in a customer- oriented approach. This was part of the 'relations' dimension of customer orientation. Crosby *et al.* (1990) identified trust as an important dimension of relationship quality.

Sales performance was measured by using a five-item scale ($\alpha = .672$, see table 1) which is a modified scale of Sales performance by Behrman and Perreault (1982). The wide use (Saxe, & Weitz, 1982; Boles *et al.*, 2000; Piercy, Cravens and Lane, 2008; Wachner, Plouffe and Grégoire, 2009; Schwepker & Good, 2012) Behrman and Perreault (1982) scale in different contexts makes a case for

using the relevant scales of measuring performance in the context of Banking and Financial Service Institutions.

The multi-item 'Relational Outcome' construct was measured by a 3 item composite scale (alpha= .605, see table 1) adapted from Williams and Attaway (1996) and Liu and Wu (2007).

4. Analysis

4.1 Equation for quadratic relation

As we expect an inverted U-shaped relationship between customer orientation and sales performance (H4). The quadratic terms were specified in the equation by squaring the customer orientation variables (Cadogan, Kuivalainen, & Sundqvist, 2009). Note that a quadratic relationship might be expressed by a linear and a quadratic term, that is, $Y = \beta_1 X + \beta_2 X^2$ or uniquely by the quadratic term, that is, $Y = \beta_2 X^2$, which happens when $\beta_1 = 0$. In addition, for an inverted U-shaped relationship the coefficient β_2 must be negative (McCallum *et al.*, 2010). Similarly, the inverted U-shaped relationships hypothesized in H3.

4.2 Model estimation

Standard psychometric procedures suggested by Nunnally (1978) and Gerbing *et al.* (1998) were followed to assess the measurement models of each construct before testing the structural model of the study. The factor structure of each measurement items to examine the reliability was carried out. The final Model was tested using Maximum likelihood parameter estimation.

4.3 Measurement Validity

The exploratory factor analysis using Principal Component Analysis (PCA) and Varimax rotation was the starting point of analyzing each construct. To compare the magnitude of the observed correlation coefficients in relation to the magnitude of the partial correlation coefficients, the Kaiser-Meyer-Olkin

measure of sampling adequacy was carried out with 0.6 as benchmark values to demonstrate sampling adequacy. The measurement of these constructs were estimated for scale reliability using Cronbach's Alpha estimation, Confirmatory Factor Analysis, including calculation of AVEs for discriminant validity and Construct reliability was carried out using AMOS20. Indicator Items with loading over 0.6 were retained for the analysis (Table 1) Normally AVE of 0.5 or above suggests adequate coverage, which means that the measures consistently represent the same latent construct, however in cases of exploratory studies, or first time study, lower AVEs scores are acceptable (Lance, 1988; Ping, 2009).

5. Result

5.1 Measurement Models

Customer Orientation emerged as a single latent construct (i.e. Single factor) consisting of **Five** items. The CFA confirmed the single factor structure. The CFA loading values, of the items in their respective factors ranged from 0.537 to 0.708. The Global Fit Indices ($\chi^2/df = 4.402$, GFI=0.975, RMSEA=0.102, NFI= .945, CFI= 0.956) indicate that the model has a good fit to the data.

Sales Performance emerged as a single latent construct (i.e. Single factor) consisting of Three items. The CFA confirmed the single factor structure. The CFA loading values, of the items in their respective factors ranged from 0.511 to 0.842. The Global Fit Indices ($\chi^2/df = 4.402$, GFI=0.975, RMSEA=0.102, NFI= .945, CFI= 0.956) indicate that the model has a good fit to the data.

Relational Outcome emerged as a single latent construct (i.e. Single factor) consisting of Three items. The CFA confirmed the single factor structure. The CFA loading values, of the items in their respective factors ranged from 0.584 to 0.757. The Global Fit Indices ($\chi^2/df = 4.402$, GFI=0.975, RMSEA=0.102, NFI= .945, CFI= 0.956) indicate that the model has a good fit to the data.

Insert table 1

5.2 Structural Model

The hypothesized relationships were estimated using Structural Equation Modeling (SEM) with maximum likelihood estimation. The hypothesized relations were estimated and the results obtained. (Refer Figure 2 for AMOS output). Two key indices for assessing model fit, RMSEA = 0.066, and CFI = 0.901 indicated a satisfactory model fit. The $\chi^2/df = 2.442$ ($df=98$) was significant ($CMIN=239.296$, $p=0.0$) the other fit index of GFI and AGFI were favorable, thus providing confirmation of an adequate data fit for the proposed structural model. The regression coefficients estimated are presented and reported in Table 2.

Insert table 2

As depicted in Table 2 and Figure 1 three hypothesis (H1, H3, H4) of the conceptual model were supported and H2 was not supported.

As estimated the regression coefficient for CO on sales performance is insignificant ($\beta_1=0.006$, $t=0.06$) and the coefficient of square of customer orientation on SP is negative and significant ($\beta_2=-2.36$, $t=-6.7$). H2 is not supported and H3 is supported thus proving that the relationship between CO and SP is nonlinear. The negative beta proves that the relationship is quadratic and inverted U shaped.

Relational outcomes have a significant and positive impact on performance (H4) supporting a linear relationship between them. There also exists a significant positive relation between Sales Performance and Relational Outcome (H1).

The path estimates of the model indicate that as a predictors of Relational Outcome Customer orientation explain 45.9% of its variance. Customer Orientation positively impact Relational Outcome. The two predictors of Sales Performance able to explain 72% of variance in it.

To study the indirect effect of CO on Sales Performance sobel test was performed which tell whether a mediator variable significantly carries the influence of an independent variable to a dependent variable; i.e., whether the indirect effect of the independent variable on the dependent variable through the mediator variable is significant. As posited by the path from Customer Orientation and to Sales Performance the indirect effect is significant $t = 2.09$ (.001)

6. Discussion

The present study finds that Customer orientation does not have a linear relationship with sales performance but the relationship is quadratic and inverted U shape. The non-significant finding is in line with Franke and Park's (2006) meta-analysis which also reported that customer orientation had a significant effect on performance only when performance was measured with self-reported measures. Contrary to expectations, the meta-analysis found that the mean correlations linking customer orientation with both managerial ratings of performance ($r = 0.01$, $p > 0.1$) and objective sales performance ($r = 0.02$, $p > 0.1$) were non-significant. Similar findings were also reported by Jaramillo and Girasaffe (2013) who reported that customer orientation did not impact sales performance level directly.

A negative quadratic relation means that a sales person effort on CO activity may yield result only up to some level if the level goes beyond this optimum level the sales person concern for customers may hamper his sales outcome. The insignificant impact on sales performance indicates adverse effects generated by higher customer orientation. Hence, if sales people focus more on customer's needs and

helping customers, they would fail to generate sales. At a stage of customer origination, which precedes prospecting, one fails to achieve sales performance in the short term as the focus is helping customers to meet their long-term needs and wants. Given the context of financial products, if the sales person only functions with the objective of helping customers and prospects to make satisfactory purchase decisions by assessing their needs and offering only products which satisfy those needs, such an approach would result in sacrifice of immediate sales in return of developing long term relationship with customers. Financial products have an inherent risk associated with returns and hence if the sales person focuses only on mitigating risk for the customer, he may not be able to achieve his sales.

This inverted U relationship could also be attributed to the control systems in financial sales organizations through which sales people are assessed, monitored and evaluated. Sales quota and selling at higher margins are common mechanism of controlling and evaluating sales people in financial services. Selling-oriented individuals which are the opposite continuum of customer oriented sales people demonstrate little concern for others. Such sales people would forego to invest in time to understand customer needs to make quick sales and achieve their performance goals. Due to control systems in the firm, sales people would take decisions and adopt approaches which would be best for them to attain their sales quotas (Ross, 1991) even if they have to be unethical and push customers for purchase (Schwepker and Good 1999). Hence when customer oriented sales people, exhibit fairness, honest disclosures which dealing with customers they would not realize their performance outcomes (Schwepker *et al.*, 2013)

However, the impact of CO on relational outcome is significant and positive thus showing that the more CO orientation a sales person will take the more likely it is for him to achieve good relations with customer. The findings are in line with Williams and Attaway (1996) who suggested that sales people can positively affect the organizational performance by encouraging a customer-oriented approach to

establish and maintain relationships with customers. This relationship was re-emphasized by a study by Kilic and Dursun (2008) who established a positive and significant relationship between the salesperson's customer orientation and the development of buyer-seller relationship. Based on this it can be suggested that higher customer orientation can lead to better customer satisfaction, leading to long lasting customer relationship.

The objective of this research was to examine the impact of customer orientation and empirically examining its effects on two key outcomes, salesperson performance and relational outcome. Hence, in the context of relationship selling the formula of success in terms of achieving long term customer relationship and retaining them is Customer Orientation -> Relational Outcome -> Sales performance.

The study highlights the importance of CO in sales process and brings to the forefront the importance of relational outcomes. Also, it highlights the importance of using customer orientation and its role in performance building.

6.1 Managerial Implications

Currently, the advice for sales managers is rather unidimensional, and appears to follow the route of suggesting that more customer-oriented behavior is good, for all circumstances. Yet, our model identifies possible situations where increasing market-oriented activity may not be appropriate, or even may harm performance, and our results also show that this is the case.

The results also indicate that relational outcomes share good predictor of performance developing them should be considered as a top priority as against focusing on sales performance only. Management must focus on enhancing its sales force which could maximize the firm's relationship-building capability, along with developing salespeople's ability to improve relationships with each sales interaction with the customer.

6.2 Limitations and Scope for future research

Self-reported attitudinal and behavioral response on the competencies and job performance may have been influenced by social desirability bias of the respondent. Future researchers could seek objective performance data from the managers to eliminate any bias on the performance data. Additionally with respect to relationship outcome, future responses could conduct a dyadic study from customer and sales people perspective.

The study was also limited by cooperation of the respondents in completing the research instrument. The list of competencies were based on the ability of the researcher to validate them accurately based on review of literature, and in-depth interviews carried out in exploratory phase of the study.

Finally the study was placed within a variety of organizational environment/structure; therefore, the respondents were susceptible to stimulus of their unique environments that were not controlled.

7. References

- Anderson, Erin, and Richard L. Oliver. (1987), "Perspectives on Behavior-Based Versus Outcome-Based Salesforce Control Systems." *Journal of Marketing* 51 (4): 76–88. doi:10.2307/1251249
- Behrman, D. N., & Perreault Jr, W. D. (1982). Measuring the performance of industrial salespersons. *Journal of Business Research*, 10(3), 355-370.
- Bendapudi, N., & Berry, L. L. (1997). Customers' motivations for maintaining relationships with service providers. *Journal of retailing*, 73(1), 15-37.
- Boles, J., Brashear, T., Bellenger, D., & Barksdale Jr, H. (2000). Relationship selling behaviors: antecedents and relationship with performance. *Journal of Business & Industrial Marketing*, 15(2/3), 141-153.

-
- Brown, Steven P., William L. Cron, and John W. Slocum Jr. (1998), "Effects of Trait Competitiveness and Perceived Intraorganizational Competition on Salesperson Goal Setting and Performance." *Journal of Marketing* 62 (4): 88–98. doi:10.2307/1252289
- Brown, T. J., Mowen, J. C., Donovan, D. T., & Licata, J. W. (2002). The customer orientation of service workers: Personality trait effects on self-and supervisor performance ratings. *JMR, Journal of Marketing Research*, 39(1), 110-119.
- Cadogan, John W. and Charles C. Cui (2004), "Chinese Export Agents' Adoption of Export Market-Oriented Behaviours: Measurement and Performance Relationship," *Journal of Asia Pacific Marketing*, 3 (2), 21–37.
- Cadogan, J. W., Kuivalainen, O., & Sundqvist, S. (2009). Moderating Effects Under Differing Internationalization. *Journal of International Marketing*, 17(4), 71–89.
- Churchill Jr, G. A. (1979). A paradigm for developing better measures of marketing constructs. *Journal of marketing research*, 64-73.
- Churchill Jr, G. A., Ford, N. M., Hartley, S. W., & Walker Jr, O. C. (1985). The determinants of salesperson performance: a meta-analysis. *Journal of Marketing Research*, 103-118.
- Cravens, D. W., Ingram, T. N., LaForge, R. W., & Young, C. E. (1993, October). Behavior based and outcome-based salesforce control systems. *Journal of Marketing*, 57, 47–59.
- Crittenden, V. L., Crittenden, W. F., & Crittenden, A. B. (2014). Relationship building in the financial services marketplace: The importance of personal selling. *Journal of Financial Services Marketing*, 19(2), 74-84.
- Crosby, L. A., Evans, K. R., & Cowles, D. (1990). Relationship quality in services selling: An interpersonal influence perspective. *Journal of Marketing*, 54(3), 68.
- Cross, M. E., Brashear, T. G., Rigdon, E. E., & Bellenger, D. N. (2007). Customer orientation and salesperson performance. *European Journal of Marketing*, 41(7), 821-835.

-
- Deeter-Schmelz, D. R. (2011). Personal Selling and Sales Management Abstracts. *Journal of Personal Selling & Sales Management*, 31(2), 185-198.
- Donavan, D. T., Brown, T. J., & Mowen, J. C. (2004). Internal benefits of service-worker customer orientation: Job satisfaction, commitment, and organizational citizenship behaviors. *Journal of Marketing*, 68(1), 128-146.
- Emiliani, M L. (2003). Linking leaders' beliefs to their behaviors and competencies. *Management Decision*, 41(9), 893-910.
- Fernando Jaramillo & Douglas B. Grisaffe (2009) Does Customer Orientation Impact Objective Sales Performance? Insights from a Longitudinal Model in Direct Selling, *Journal of Personal Selling & Sales Management*, 29:2, 167-178
- Foster, B. D., & Cadogan, J. W. (2000). Relationship selling and customer loyalty: an empirical investigation. *Marketing Intelligence & Planning*, 18(4), 185-199.
- Franke, G., & Park, J. (2006). Salesperson Adaptive Selling Behavior and Customer Orientation: A Meta-Analysis. *Journal of Marketing Research (JMR)*, 43(4), 693-702.
- Gerbing, David W., and James C. Anderson (1988), "An Updated Paradigm for Scale Development Incorporating Unidimensionality and Its Assessment," *Journal of Marketing Research*, 25 (May), 186–192.
- Gilbert, A. C., Jr, Neil, M. F., Steven, W. H., & Orville, C. W., Jr. (1985). The determinants of salesperson performance: A meta-analysis. *JMR, Journal of Marketing Research (Pre-1986)*, 22(000002), 103-103.
- Guenzi, Paolo, Luigi M. DeLuca, and Gabriele Troilo. 2011. "Organizational Drivers of Salespeople's Customer Orientation and Selling Orientation." *Journal of Personal Selling & Sales Management*, 31 (3): 269–286. doi:10.2753/PSS0885-3134310305.

Harrison, T. (2003). Editorial: Understanding the behaviour of financial services consumers: A research agenda. *Journal of Financial Services Marketing*, 8(1), 6–10.
<http://doi.org/10.1057/palgrave.fsm.4770102>.

Homburg, C., Michael Müller, & Klarmann, M. (2011). When does salespeople's customer orientation lead to customer loyalty? the differential effects of relational and functional customer orientation. *Academy of Marketing Science Journal*, 39(6), 795-812.

Howe, V., Hoffman, K. D., & Hardigree, D. W. (1994). The relationship between ethical and customer-oriented service provider behaviors. *Journal of Business Ethics*, 13(7), 497-506.

Jaramillo, F., Ladik, D. M., Marshall, G. W., & Mulki, J. P. (2007). A meta-analysis of the relationship between sales orientation-customer orientation (SOCO) and salesperson job performance. *The Journal of Business & Industrial Marketing*, 22(5), 302-310.

Jaramillo, F., Mulki, J. P., & Marshall, G. W. (2005). A meta-analysis of the relationship between organizational commitment and salesperson job performance: 25 years of research. *Journal of Business Research*, 58(6), 705-714.

Jillian, D. F. (2004). Customer retention in retail financial services: An employee perspective. *The International Journal of Bank Marketing*, 22(2), 86-99.

Johnson, D., & Grayson, K. (2005). Cognitive and affective trust in service relationships. *Journal of Business research*, 58(4), 500-507.

Kilic, C., & Dursun, T. (2008). Job-related antecedents and performance outcomes of individual: Level customer orientation. *The Business Review, Cambridge*, 10(1), 39-46.

Lance, C. E. (1988). Residual centering, exploratory and confirmatory moderator analysis, and decomposition of effects in path models containing interactions. *Applied Psychological Measurement*, 12(2), 163-175.

MacKenzie, S. B., Podsakoff, P. M., & Ahearne, M. (1998). Some possible antecedents and consequences of in-role and extra-role salesperson performance. *The Journal of Marketing*, 87-98.

MacKenzie, Scott B., Philip M. Podsakoff, and Michael Ahearne (1998), "Some Possible Antecedents and Consequences of In-Role and Extra-Role Salesperson Performance," *Journal of Marketing*, 62, 3 (July), 87-98.

McCallum, W., Connally, E., Hughes-Hallett, D., Cheifetz, P., Davidian, A., Lock, P.F., Lovelock, D., Schmierer, E., Shure, P., Swenson, C. and Marks, E.J. (2010), *Algebra: Form and Function*, Wiley, London.

Nunnally, J. C. (1978). *Psychometric Theory* (2nd ed.). New York: McGraw Hill.

Pelham, Alfred M., and Pamela Lieb. (2004), "Differences between Presidents' and Sales Managers' Perceptions of the Industry Environment and Firm Strategy in Small Industrial Firms: Relationship to Performance Satisfaction." *Journal of Small Business Management* 42 (2): 174–189. doi:10.1111/j.1540-627X.2004.00104.x.

Pelham, A. (2006). Sales Force Involvement in Product Design: The Influence on the Relationships between Consulting-Oriented Sales Management Programs and Performance. *Journal of Marketing Theory and Practice*, 14(1), 37-55.

Ping, R. A. (2009). Is there any way to improve average variance extracted (AVE) in latent variable (LV) X (revised)? on-line paper]. <http://home.att.net/~rpingjr/ImprovAVE1.doc>.

Plank, R. E., & Reid, D. A. (1994). The mediating role of sales behaviors: an alternative perspective of sales performance and effectiveness. *Journal of Personal Selling & Sales Management*, 14(3), 43-56.

Plouffe, C. R., & Barclay, D. W. (2007). Salesperson navigation: The intraorganizational dimension of the sales role. *Industrial Marketing Management*, 36(4), 528-539.

-
- Ranchana Rajatanavin & Mark Speec (2004). The sales force as an information transfer mechanism for new service development in the Thai insurance industry. *Journal of Financial Services Marketing* **8**, 244–258 (1 March 2004) | doi:10.1057/palgrave.fsm.4770123
- Rentz, J. O., Shepherd, C. D., Tashchian, A., Dabholkar, P. A., & Ladd, R. T. (2002). A measure of selling skill: Scale development and validation. *The Journal of Personal Selling & Sales Management*, 22(1), 13-21.
- Sangari, E. S. (2014). Personal selling and sales management in the marketing of financial services: Introduction to the special issue. *Journal of Financial Services Marketing*, 19(2), 71–73. <http://doi.org/10.1057/fsm.2014.12>
- Saxe, R., & Weitz, B. A. (1982). The SOCO Scale: A Measure of the Customer Orientation of Salespeople. *Journal Of Marketing Research (JMR)*, 19(3), 343-351.
- Schillewaert, N., & Ahearne, M. (2001). The effect of information technology on salesperson performance. *Developments in Marketing Science*, 24, 201-201.
- Schwepker Jr, C. H., & Good, D. J. (1999). The impact of sales quotas on moral judgment in the financial services industry. *Journal of Services Marketing*, 13(1), 38-58.
- Schwepker Jr, C. H., Good, D. J., Buerky, B. N., & Student, M. B. A. (2013) Managing Quotas to Improve Customer Relationships and Sales Performance. *Keller Center Research Report*.
- Schwepker, Charles H., Jr, & Good, D. J. (2012). Sales Quotas: Unintended Consequences on Trust In Organization, Customer-Oriented Selling, and Sales Performance. *Journal of Marketing Theory and Practice*, 20(4), 437-452.
- Singh, R., & Koshy, A. (2012). A new conceptualization of salesperson's customer orientation. *Marketing Intelligence & Planning*, 30(1), 69-82.
- Swenson, M. J., & Herche, J. (1994). Social values and salesperson performance: an empirical examination. *Journal of the Academy of Marketing Science*, 22(3), 283-289.

Thomas, R. W., Soutar, G. N., & Ryan, M. M. (2001). The selling orientation-customer orientation (SOCO) scale: a proposed short form. *Journal of Personal Selling & Sales Management*, 21(1), 63-69.

Wachner, T., Plouffe, C. R., & Grégoire, Y. (2009). SOCO's impact on individual sales performance: The integration of selling skills as a missing link. *Industrial Marketing Management*, 38(1), 32 -44.

Walker, Orville C., Jr., Gilbert A. Churchill Jr., and Neil M. Ford (1977), "Motivation and Performance in Industrial Selling: Present Knowledge and Needed Research," *Journal of Marketing Research*, 14 (2), 156-168

Williams, Michael R., and Jill S. Attaway (1996), "Exploring Salesperson's Customer Orientation as a Mediator of Organizational Culture's Influence on Buyer-Seller Relationships," *Journal of Personal Selling & Sales Management*, 16, Number 4, 33-52"

Zablah, A. R., Franke, G. R., Brown, T. J., & Bartholomew, D. E. (2012). How and when does customer orientation influence frontline employee job outcomes? A meta-analytic evaluation. *Journal of Marketing*, 76(3), 21-40.

Zeithaml, V. A., Berry, L. L., & Parasuraman, A. (1996). The behavioral consequences of service quality. *the Journal of Marketing*, 31-46.

Table 1: Parameter estimates, Critical Ratio values, Average Variance Extracted a Construct Reliability.

	FACTOR	Estimate	S. E.	C. R.	Eigen value	AVE	Construct validity
Customer Orientation							
Understands customer needs	CO_01	0.708	0.147	8.139			
Describes products accurately	CO_02	0.682	0.142	8.007			
Help customers to make satisfactory purchase decisions	CO_03	0.623	0.152	7.645			
Avoids the use of high pressure in Selling	CO_04	0.644	0.164	7.783			
Develops trust of customers by being responsive	CO_07	0.537			2.266	0.412	0.78
Sales Performance							
Sells products with higher profit margins	SP_01	0.581					
Generate High Level of Sales Revenue (In Rupees)	SP_02	0.842	0.182	5.984			
Exceeds all sales targets	SP_04	0.511	0.314	6.947	2.262	0.44	0.789
Relational Outcome							
Receives references from customer for building new clients	SP_06 :	0.584					
Achieves Long term relationship with customers	SP_07 :	0.757	0.123	8.089			
Retains Customers through Cross Selling of Products	SP_08 :	0.732	0.111	8.135	1.45	0.48	0.735

Table 2: Unstandardized Estimates Weights, CR values and Results

Independent Variable		Dependent Variable	Estimate	S.E.	C.R.	P	Result
Relational Outcome	->	Sales Performance	1.3	0.388	3.354	0.01	Supported
Customer Orientation	->	Sales Performance	0.006	0.1	0.06	0.61	Not Supported
Customer Orientation	->	Relational Outcome	0.59	0.093	6.358	0.01	Supported
CO square	->	Sales Performance	-2.367	0.352	-6.728	0.01	Supported

Figure 2: Structural Model showing standardized coefficients.

