Market orientation in the banking sector: Measuring the key role of salesperson performance

Verónica Rosendo-Ríos*, Miguel Martín-Dávila

CUNEF – Colegio Universitario de Estudios Financieros, Departamento de Organización y Marketing, Leonardo Prieto de Castro, Ciudad Universitaria, 28040 Madrid, Spain

Received 2 October 2014; accepted 24 February 2015
Available online 25 April 2015

Abstract This paper examines the relationship of customer orientation – at both the organizational and the individual sales level – on salesperson performance for financial products. A survey of 146 sales managers of different Spanish banks was analyzed using structural equation modeling. The results provided here highlight the relevant mediating role of salesperson customer orientation on sales performance and reinforces the role of salespeople in achieving an appropriate organizational market orientation.

© 2014 Asociación Cuadernos de Economía. Published by Elsevier España, S.L.U. All rights reserved.

La orientación al mercado del sector financiero: análisis de la importancia de la fuerza de ventas

Resumen Este artículo examina el impacto de la orientación al cliente - tanto desde un punto de vista organizacional como desde una perspectiva de ventas individual- sobre los resultados de la fuerza de entidades financieras. Para ello, se han llevado a cabo encuestas a 146 directivos del sector comercial de diferentes bancos y cajas de ahorros españolas. El modelo creado se ha analizado utilizando ecuaciones estructurales. Los resultados evidencian la importancia de que los vendedores tengan una buena orientación hacia el cliente para que la fuerza de ventas

* Corresponding author.
E-mail address: vrosendo@cunef.edu (V. Rosendo-Ríos).

http://dx.doi.org/10.1016/j.cesjef.2015.02.001
0210-0266/© 2014 Asociación Cuadernos de Economía. Published by Elsevier España, S.L.U. All rights reserved.
1. Introduction

1.1. Market orientation and customer orientation

Market orientation could be defined as the application of the marketing concept at an organizational level. Following Jaworski and Kohli (1993, 1996), the market orientation of an organization reflects the degree to which the marketing concept is integrated into the business philosophy of a company. The role of market orientation as a mean to achieve a sustainable competitive advantage has widely been recognized in the marketing literature (Barroso et al., 2005; Hammond et al., 2006; Zebal & Saber, 2014). Thus, companies that adopt a market orientation strategy get better business results. Companies that have managed to achieve better business results through market orientation, have primarily based their strategies on the creation of a culture or an organizational environment that focuses on reinforcing a philosophy of customer-oriented business marketing (Harris et al., 2005). Such an environment can potentially influence organizational sales force so that sales teams are inclined to strengthen customer orientation.

However, there is recently a general tendency to think that the traditional salesperson is becoming less important (note the increasing frequency of self-vending machines, for instance) and could only survive by providing added value during the sales process. Nevertheless, if the seller’s customer orientation plays a mediating role in the relationship between the company and its customers, it would be logical to assume that removing the seller’s role could be detrimental for the company.

Most of the literature that has analyzed market orientation has overlooked this mediating effect of the salesperson. Therefore, this paper seeks to empirically fill this gap by examining the impact of customer orientation of the salesperson on sales performance.

Generally, it is understood that a company market orientation consists of two basic dimensions: customer orientation, and competitive orientation (Kirca et al., 2005; Kohli & Jaworski, 1990; Narver & Slater, 1990). Market orientation is based on the analysis of the company as a whole. Competitive orientation, meanwhile, focuses on the analysis of competitive threats. Customer orientation focuses on issues such as the importance of addressing and meeting the wants and needs of customers.

Customer orientation has been shown to have a positive impact on performance, both at the level of the company (Chan, 2014; Jaworski & Kohli, 1993; Narver and Slater, 1990) and on the sales force (Donovan et al., 2004; Sujan et al., 1994). Much of the literature that has analyzed the sales force and customer orientation has shown that sellers who have a greater customer orientation, tend to achieve better performance in their sales functions (Babin & Boles, 1998; Boles et al., 2001; Harris et al., 2005). It would, therefore, be logical to think that the effects of the market orientation of the company act indirectly through vendors, since ultimately it is them who are – to a greater or lesser extent – the representatives between the organization and its customers, and hereby they symbolize, somehow, the image of the company (Chan, 2014; Cross et al., 2007). In fact, sometimes sellers can be the only representatives of the organization that have a direct contact with customers. Thus, the individual role of the seller is crucial to understand and meet consumer needs (Crosby et al., 1990; Saxe & Weitz, 1982) and to create long lasting relationships over time. After all, from this perspective, the seller is the right person to get to create a perception of added value to the client during his interaction with him, which is the basis of customer orientation. Therefore, according to the basic principles of Relationship Marketing, a high level of customer orientation reflects a high degree of concern for long-term customers’ needs (Oliver, 1999), while a low level of customer orientation reflects a low concern for the customer, and a selfish strategy to achieve an appropriate level of short-term sales.

Moreover, according to Williams and Wiener (1990), customer orientation is a learned behavior, that is, a behavior which can be acquired with training and time and which can be influenced by environmental factors. Therefore, marketers can adopt a customer orientation as a result of enhancing the appropriate marketing practices in their companies. Thus, it is understood that the organizational culture of an organization shapes the attitudes and behavior of their employees (Beltran-Martín et al., 2013; Rozell et al., 2003). So, it could be thought following recent studies that the seller’s customer orientation level increases as the market orientation of the firm increases (Cross et al., 2007). These facts lead us to the following research questions:

- Does the organizational customer orientation and the organizational competitive orientation impact salesperson performance?
- And does salesperson customer orientation have an important mediating effect on salesperson performance?

2. Hypotheses development and theoretical background

In order to provide a satisfactory answer to the two main research questions stated before, the following five hypotheses were established:

Hypothesis 1. Organizational customer orientation is positively related to salesperson performance.
Hypothesis 2. Organizational competitive orientation is positively related to salesperson performance.

Hypothesis 3. Organizational customer orientation is positively related to salesperson customer orientations.

Hypothesis 4. Organizational competitive orientation is positively related to salesperson customer orientation.

Hypothesis 5. Salesperson customer orientation is positively related to salesperson performance.

2.1. Salesperson customer orientation and salesperson performance

The study of customer orientation and competitive orientation has gone in separate ways. There is broad consensus that proper customer orientation has a strong and positive influence on organizational performance (Cano et al., 2004). Similarly, competitive orientation has been recognized as a key factor for the success of the firm in the literature of strategic management (Wiklund & Shepherd, 2005). To Becherer and Maurer (1999), both customer orientation and competitive orientation coexist in an organization and both have positive effects on firm performance. However, the external environment of the organization alters the degree of influence of each orientation and its effect on sales performance. Parnell and Wright (1993) argue that the adoption of a strategic combination can maintain a competitive advantage, the success would depend on the combination of the two orientations as well as on the emphasis put on each type (Parnell, 2000). Parnell and Hershey (2005) even consider that companies rarely use a single strategic orientation. The choice of strategic orientations chosen by the company changes over time in response to environmental changes (Chan, 2014; Webb & Pettigrew, 1999).

Therefore, this research considers the results of a combination of the organization’s strategic orientations, including simultaneously the mediating effect of “Salesperson Customer Orientation”. This model, thus, embodies the Salesperson Customer Orientation as a mediating variable between, on the one hand, customer orientation and competitive orientation as independent variables, and on the other hand, salesperson performance as the dependent variable. As shown in Fig. 1, the goal of this paper is to determine the indirect effects of the two orientations of the organization in salesperson performance through its direct influence on the salesperson customer orientation, and the direct effect of the salesperson customer orientation on the salesperson performance. The model is completed with the direct effects of the two orientations of the organization on salesperson performance.

3. Methodology

3.1. Measurement scales and sample

To answer the previous research questions, an empirical study was conducted as detailed in the following lines. The research design was carried out in the Spanish financial market. The data were collected in the first quarter of 2010. Since this research focuses on the salesperson performance in financial institutions, the research unit consisted of financial sales managers and directors of different national banks. As for the group of banks included in the study, the sample was composed of a main national representative leading bank in Spain and five other national and regional banks of different sizes. The final sample was formed by 146 useful surveys – which were considered to be sufficiently representative for the variety of financial institutions, national and regional, represented.

For the measurement of the four constructs involved in this research (customer orientation of the organization, competitive orientation of the organization, salespeople customer orientation, and salesperson performance), different multi-item nine point Likert scales were used (Annex I). These scales were anchored by “strongly disagree” and “strongly agree”. The choice of the different scales of measurement was based mainly on two aspects: on one hand the scales of measurement used had shown to have good psychometric properties in previous empirical studies, and on the other hand they were in line with the theoretical approach proposed in this research.

The scale of organizational market orientation developed by Narver and Slater (1990) was divided in two dimensions: customer orientation of the organization – including 6 items – and competitive orientation of the organization – with 4 items. Organizational customer orientation was measured with six items that tapped satisfying customer needs, value creation, obtaining commitment and client service. On the other hand, organizational competitive orientation measured items such as sharing market information by the organization. Customer orientation of the salesperson was measured using Saxe and Weitz’s (1982) 12 items scale. In this scale, informants are asked to describe their relationship with customers, with special attention to their assistance to clients and their actions to meet customer needs. Finally, following Brown and Peterson (1994), performance measures salesperson’s sales success both in qualitative and quantitative terms. Salespersons are asked to evaluate their own performance compared to the rest of the company in a nine-point Likert scale that ranged between “among the worst in the company” to “among the best in the company”. The main reason for choosing these self-evaluative items is that Behrman and Perreault (1987) found in their research that measures of seller’s self-assessment performance produce results consistent with manager evaluations of sales teams and quantitative measures of sales performance of the company.
4. Results

The main results obtained in this research are discussed in the following lines. Graphically, the structural model with the estimated $\beta$ parameters of structural equations is shown in Fig. 2.

On the other hand, the results obtained in EQS for the goodness of fit of the structural model are to be found in Table 1.

As it can be seen in Table 1, the goodness of fit indices GFI, NFI and CFI have magnitudes close to 0.8/0.9. Thus, it can be stated that, according to generally accepted principles (Bentler, 2005; Byrne, 2006), the model has a reasonably good fit. On the other hand, the standardized coefficients ($\beta$) for the estimated paths between the different constructs are shown in Table 2.

As it can be observed in the table, both customer orientation of the organization (0.249*) and competitive orientation of an organization (0.140*) are positively related to salespeople’s customer orientations, confirming H3 and H4. Likewise, H1 is supported, confirming the impact of customer orientation of an organization on salespeople’s performance (0.221*). H5 is also supported, confirming the direct impact of salesperson customer orientation on sales performance (0.504*). H2, however, had to be rejected, since the estimated coefficient (0.035) was not found to be significant.

Table 2 $\beta$ coefficients for the structural model.

<table>
<thead>
<tr>
<th>Coefficient $\beta$</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>OCO $\rightarrow$ SCO</td>
<td>0.249</td>
</tr>
<tr>
<td>OKO $\rightarrow$ SCO</td>
<td>0.140</td>
</tr>
<tr>
<td>OCO $\rightarrow$ SP</td>
<td>0.221</td>
</tr>
<tr>
<td>OKO $\rightarrow$ SP</td>
<td>0.035</td>
</tr>
<tr>
<td>OCV $\rightarrow$ SP</td>
<td>0.504</td>
</tr>
</tbody>
</table>

OCO, Organizational customer orientation; OCO, Organizational competitive orientation; SCO, Salesperson customer orientation; SP, Salesperson performance.

* Significant.

As presented in the conceptual model, and in line with the research questions proposed in this paper, there are two different ways in which organizational market orientation can impact salesperson performance.

- The first one is the straight impact of the organizational orientation directly on salesperson performance (as proposed in H1 and H2).
- The second one involves an indirect effect of the organizational orientation on salesperson performance as mediated by salesperson customer orientation.

This mediation could be explained by the fact that it is the salespeople who have a direct contact with the end customers, who are to some extent the main representatives of the organization, and who carry out the firm’s customer facing policies (Cross et al., 2007).

As H2 was rejected, an important result of this study is that the organizational competitive orientation has no direct impact on salesperson performance. This implies that focusing on competitive advantage would be relevant for the company in order to maintain its market share, but seems to have no significant direct impact on the individual salesperson’s sales performance. In line with prior studies (Cross et al., 2007; Reichheld, 1993), it is the responsibility of the company to watch out the competition and its relative market share, but a salesperson’s performance is not necessarily measured on how appropriately the company responds to competitors (Cross et al., 2007; Reichheld, 1993; Schepker & Good, 2004), as regarding rewards, salesforce are normally rewarded only for their levels of sales. However, organizational competitive orientation has a positive impact on salesperson customer orientation, as this would probably impact the sales level, and hence salesperson performance.

Thus, the fact that H2 is rejected on the one hand, and on the other hand, the strong impact of H5 (stronger than the impact proposed in H1 and H2) have to be understood in the sense that salespeople’s customer orientation has indeed a mediating and important effect between the competitive orientation of an organization and salespeople’s performance.

Therefore, this mediating effect would, in fact, confirm the important role of the sales force. These results imply that there is a significant effect supporting the importance of salesperson customer orientation as a key and determinant element in an adequate company strategy.
5. Managerial implications

There are certain evidences that can be drawn from the results of this study. Firstly, this research offers a combination of the theoretical perspectives that analyze customer orientation both at organizational and individual levels of measurement, which allows a more comprehensive picture of the effects of market orientation. It has also included the analysis of the sales force, as it is considered that studies of market orientation that have overlooked the possible influence of the vendors on sales performance have omitted a key indicator.

Although organizations make considerable efforts to inform their customers, create added value, and spend considerable time and effort to understand and meet customer needs, these goals would not be achieved without the inclusion of a key factor, the sales force (Cross et al., 2007).

The salespeople support, channel and reinforce the customer focus of the organizations. It is the seller who ultimately succeeds or fails in showing customer-oriented behaviors. Therefore, companies could benefit more if they directed their efforts inside the organization, improving their training and support for sales force to develop a climate that supports a favorable marketing orientation.

Customer orientation, by definition, is a long-term approach and it is important that this strategy is communicated to customers by means of a stable and reliable source, such as a sales force (Cross et al., 2007). Contrary to what happens in many organizations – where vendors change from one client to another quite often, and only the company itself remains stable and constant – this research has shown that the customer orientation of the salespeople is of key strategic relevance, at least in the context of financial products, since these products are characterized by being relatively complex. Therefore, the long-term contact between the seller and the client is essential for a proper performance of the seller and therefore a suitable business performance.

6. Limitations and further research

This research has to be seen in light of its limitations. First, the research has a sectional design. Thus, longitudinal designs to check the effects found in this research would be quite desirable. Second, the study is mainly focus on the Spanish financial market, so further cross cultural research on other financial markets would also add value in order to have a better understanding of salespeople’s role in the market oriented strategies of financial sector companies.

Annex I. Measurement scales used for the four constructs

1. Organization’s customer orientation (Narver & Slater, 1990)

   My company strives to:
   - Develop customer commitment;
   - Create customer value;
   - Understand customer needs;
   - Meet customer satisfaction objectives;
   - Provide service after the sale; and
   - Measure customer satisfaction.

2. Organization’s competitive orientation (Narver & Slater, 1990)

   My company strives to:
   - Encourage salespeople to share competitor information;
   - Respond rapidly to competitor’s actions;
   - Motivate top managers to discuss competitor’s actions; and
   - Target opportunities for competitive advantages.

3. Salesperson’s customer orientation (Saxe & Weitz, 1982)

   - I try to help customers achieve their goals.
   - I try to achieve my goals by satisfying customers.
   - A good salesperson has to have the customer’s best interest in mind.
   - I try to get customers to discuss their needs with me.
   - I try to influence a customer by information rather than by pressure.
   - I try to find out what kind of product would be most helpful to a customer.
   - I offer the product that is best suited to the customer’s problem.
   - I answer a customer’s questions about products as correctly as I can.
   - I try to figure out what a customer’s needs are.
   - I try to bring a customer with a problem together with a product that helps him solve that problem.
   - I am willing to disagree with a customer in order to help him make a better decision.
   - I try to give customers an accurate expectation of what the product will do for them.

4. Performance (Brown & Peterson, 1994)

   How do you rate yourself in terms of:
   - The quantity of work (e.g. sales) you achieve?
   - Your ability to reach your goals?
   - The quality of your performance in regard to customer relations?
   - The quality of your performance in regard to management of time, planning ability, and management of expenses?
   - The quality of your performance in regard to knowledge of your products, company, competitors’ products, and customer needs?

Note: All measurement scales are 9 point Likert scales. For the two constructs related with the orientation of the organization – customer orientation of the organization and competitive orientation of the organization – the anchors were as follows: 1 = “Never”, 3 = “Sometimes”, 5 = “Around 50%”, 7 = “A lot of times” and 9 = “Always”.

---

Table A.1  Reliability: Cronbach alpha for the four measurement scales.

<table>
<thead>
<tr>
<th>Construct</th>
<th>Cronbach α</th>
</tr>
</thead>
<tbody>
<tr>
<td>COO</td>
<td>0.932</td>
</tr>
<tr>
<td>KOO</td>
<td>0.877</td>
</tr>
<tr>
<td>SCO</td>
<td>0.848</td>
</tr>
<tr>
<td>SP</td>
<td>0.871</td>
</tr>
</tbody>
</table>
References


Oliver, R., 1999. Whence consumer loyalty. J. Mark. 63 (Special Issue), 33–44.


