

Improving Customer Relationships and Sales Performance Through Moral Judgment

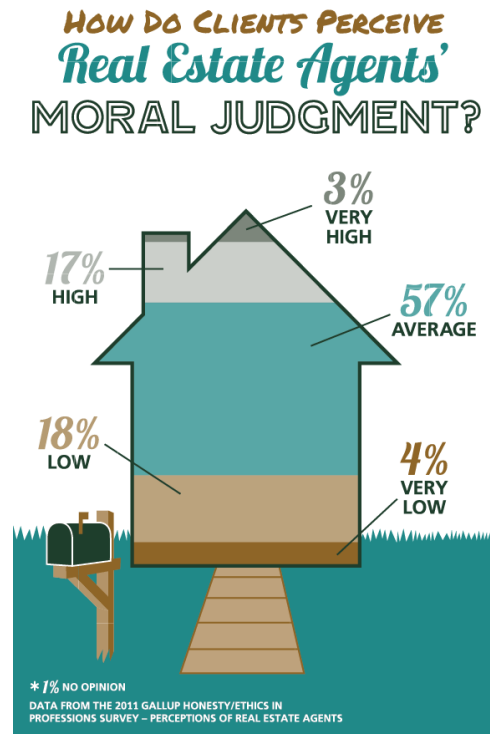
By Charles H. Schwepker, Jr., PhD, David J. Good, PhD and Lindsay B. Odneal, MBA Candidate

To be successful in today's challenging economic conditions creates significant pressure on salespeople's ethical behavior. Moral judgment, a precursor to ethical behavior, involves decisions regarding right and wrong and plays an instrumental role in salespeople's ethical decision-making (Ferrell and Gresham 1985). In an industry where buying decisions are based on trust, relationships and referrals, one would expect high moral judgment to be a significant quality in a real estate agent. Yet, a recent Gallup Poll finds only 20% of respondents rate the honesty and ethical standards of real estate agents as "high" or "very high," while 22% rate real estate agents as "low" or "very low" (Gallup 2011).

The manner in which salespeople behave is instrumental in determining their own and their company's reputation amongst buyers, and as a result, may ultimately affect performance. Despite the apparent importance of salespeople's moral judgment and subsequent ethical behavior, little is known about moral judgment's effect on key salesperson behaviors and outcomes associated with building relationships and developing business, such as customer-oriented selling and job performance. In this context, this study sought to understand if salespeople's moral judgment positively influences customer relationship-building activities (i.e., use of customer-oriented selling) and sales performance.

Moral Judgment and Customer-Oriented Selling

Moral values serve as a basis for making decisions regarding one's behavior in relationships (Hosmer 1985). Various moral philosophies explain how individuals create ethical standards for determining right from wrong. As such, these philosophies form the basis for one's moral values. Because it is difficult to study actual moral behavior, moral judgment (an antecedent to moral behavior) has commonly been investigated in sales ethics research, as is this case with this study. The proposed relationship between moral judgment and customer-oriented selling hinges on the inherent meaning of customer-oriented selling. Customer-oriented selling has been defined as "the degree to which salespeople practice the marketing concept by trying to help their customers make purchase decisions that will satisfy customer needs" (Saxe and Weitz 1982,



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p. 344). As such, customer-oriented salespeople take actions aimed at increasing long-term customer satisfaction and circumvent actions that sacrifice customer interests only to enhance the likelihood of making an immediate sale. Highly customer-oriented salespeople have high concern for others and themselves, whereas salespeople with low customer orientation (referred to as a “selling orientation”) show high concern for themselves and low concern for others. Fostering a customer-oriented selling approach amongst salespeople may play an instrumental role in establishing long-term customer relationships, since the marketing concept seeks, in part, to establish long-term relationships with customers (Perreault, Cannon and McCarthy 2008).

Currently, there is limited empirical support for a relationship between moral judgment and customer-oriented selling. However, most moral philosophies would suggest that salespeople who make ethical moral judgments show concern for the welfare of others (e.g., the satisfaction of customers) (cf., Reidenbach, Robin and Dawson 1991). Moreover, such individuals are likely to exhibit fair play, honesty and full disclosure when dealing with customers (Roberston and Anderson 1993). Customer-oriented salespeople are likely to demonstrate such behaviors because they have the customer’s best interests in mind. Conversely, given their low concern for others, salespeople who practice a selling-oriented approach are less likely to be concerned with how the sale is made as long as it is made. Consequently, deception and dishonesty may be practiced as means to this end. Selling-oriented behaviors are likely to be utilized by salespeople who hope to achieve short-term gain. In summary, salespeople evidencing high moral judgment should practice customer-oriented selling.

Moral Judgment and Salesperson Performance

While we offer an opposing view, some suggest that ethical behavior and high performance are at odds with one another. Vitell and Festervand (1987) suggest that executives facing an ethical dilemma may be forced to choose between the profitable option and the ethical one. For example, young managers are often cautioned against being too ethical to avoid adversely affecting performance (Webb and Badaracco 1995). In such an environment, salespeople may actually participate in unethical behavior because they believe it improves their chances of making a sale (Dubinsky et al. 1992).

Although there is evidence to suggest that ethical behavior is positively associated with organizational performance (e.g., Verschoor 2003), only limited empirical research has investigated the relationship between moral judgment and individual performance, providing mixed results. However, support for such a relationship may be found in research involving relationship building. Ethically behaving salespeople are more effective at building strong customer relationships (e.g., developing customers who are satisfied, trusting and committed) (Roman and Ruiz 2005). Recent research, finding a positive correlation between salespeople’s ethical behavior and customer trust-building, confirms this (Hansen and Riggle 2009). Importantly, it should be noted that buyers tend to purchase from salespeople they trust, and at least one form of ethical behavior, honesty, appears to be critical for developing these trust-based

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relationships (Hawes et al. 1989). Thus, ethical behavior, resulting from moral judgment, should lead to enhanced sales performance.

Customer Orientation and Salesperson Performance

Several studies have investigated the relationship between customer-oriented selling and salesperson performance. Although this research finds empirical support for treating customer-oriented selling as a positive antecedent to salesperson performance (Franke and Park 2006; Jaramillo et al. 2007), given the use of mixed samples and mixed performance measures, additional research is warranted. A useful means for investigating sales performance is to examine it in terms of outcomes and behaviors (Anderson and Oliver 1987). A behavior-based perspective typically involves complex and subjective assessments of salesperson behaviors (e.g., ethical/moral behavior, time management, communication skills), whereas an outcome-based perspective centers on objective measures of results (e.g. dollar or product sales, market share, profits, new accounts). Outcome-based sales performance focuses on results and involves objective measures of these results when determining performance. Behavior-based sales performance focuses on the methods used to achieve results and thus performance is based on seller characteristics (e.g., competitive knowledge, aptitude), activities (e.g., number of formal presentations) and the sales strategies one employs (Anderson and Oliver 1987). It would be constructive for further research to examine both components of performance in relationship to both customer-oriented selling and moral judgment.

The Research Study

Data for this study was collected via a nationwide electronic mail survey of 345 business-to-business sales professionals, many (27%) who were paid exclusively via commission. To determine salespeople's moral judgment, we used an established measure that asked salespeople to respond to three scenarios with ethical content and then to provide responses to eight statements that assess moral dimensions (Reidenbach, Robin and Dawson 1991). Customer-oriented selling was assessed by asking salespeople to respond to five customer-oriented and five selling-oriented sales behavior items (Thomas, Soutar and Ryan 2001). Finally, the measure used to assess outcome sales performance consisted of seven items used to assess the extent to which salespeople achieve their sales targets, while behavior performance was measured with four items dealing with behavioral dimensions (e.g., maintaining customer relationships, providing information, completing paperwork, product knowledge) of salesperson performance.

Findings and Implications

A statistical modeling approach was used to determine the relationships between moral judgment, customer-oriented selling and sales performance. These results identify that the presence of moral judgment positively impacts relational client interaction. Given that salespeople who make more ethical decisions are likely to practice more customer-oriented selling, agents should focus on doing what is "right" for customers and agencies should focus on

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employing and developing agents of good moral standing, as this is likely to enable them to gain relational advantages in the marketplace.

Moral judgment was found to be unrelated to outcome performance but positively related to behavioral performance. This suggests that simply being ethical is not enough to generate sales results. However, the results show that sellers with higher moral judgment are associated with behaviors reflective of desired long-term customer relationships (e.g., communicating with clients). In the real estate industry, given the rapid pace at which individuals relocate, long-term relationships are vital to future business. Moreover, given the high cost of client acquisition in a highly competitive market, it behooves agents to have a well-established client base that is willing to employ their services (due to a strongly established relationship) when the need arises.

The results also show that customer-oriented sellers can expect improved outcome and behavioral sales performance. Thus, agents who are able to persuade clients to discuss their needs with them, and then craft a solution for them with their best interests in mind are likely to establish the foundation for long-term customer relationships.

From an agency perspective, actions can and should be taken to develop a salesforce with high moral values. For starters, efforts should be taken to hire agents with high moral values. Scenario-based exercises which pose ethical dilemmas may aid in the selection process. While codes of ethics, if communicated and enforced, will help, agency leaders must provide an example by practicing high ethical standards and holding others to those standards as well. For instance, agents found behaving unethically should be reprimanded or released. Additional ethics training may likewise be warranted. Agents could be provided ethically based scenarios, and then discuss how as sellers they would (and should) respond. Effectively improving the moral judgment of agents will likely be the result of many different efforts (hiring, training, best practices by management, etc.) that incorporate enhanced moral judgment into all aspects of the position.

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