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Managing Quotas to Improve Customer Relationships and Sales Performance
Charles H. Schwepker, Jr., PhD, David J. Good, PhD, and Brooke N. Buerky, MBA Student

Sales control systems play a critical role in directing, evaluating, and monitoring the activities of an organization’s salespeople. Sales quotas, for instance, are a commonly used control mechanism for motivating and evaluating real estate professionals. This tool is important in directing agent behavior, affecting such issues as customer trust, relationship-building, referrals, reputation, and ultimately, individual and agency performance. If not managed properly, though, sales quotas may have unintended consequences on customer relationship-building as well as sales performance.

Yet, beyond their obvious influence as sales goals, little is understood to what extent sales quotas connect and impact other critical organizational issues within the selling group. Under this premise, this research sought to understand how sales quotas impact salespeople’s practice of customer-oriented selling behavior, trust in the organization, and their sales performance.

Sales Force Control and Customer-Oriented Selling

A control system is “an organization’s set of procedures for monitoring, directing, evaluating, and compensating its employees” (Anderson and Oliver 1987). As such, sales force controls are used by management to influence behavior to achieve sales force goals. While control systems can be designed to influence both behaviors and outcomes, a frequently used outcome-based control mechanism is the sales quota. Under this control method, employees are held accountable for their performance, but free to choose the methods of achievement. Given that quotas focus on results, there is a tendency to concentrate on immediate returns at the expense of long-term results (Anderson and Oliver 1987). As a result, sales quotas may encourage inadvertent (undesired) consequences.

Another important nonfinancial factor that positively affects sales performance is customer-oriented selling (Schwepker 2003). This study is specifically interested in determining if outcome control, in the form of sales quotas, will negatively impact the use of customer-oriented selling (i.e., can sales quotas discourage 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
Customer-oriented salespeople show concern for others and seek to provide long-term customer satisfaction. Conversely, selling-oriented individuals tend to show little concern for others, but high concern for themselves. Since outcome-based control systems focus on results, regardless of the methods by which they are achieved, Anderson and Oliver (1987) suggest that such systems can permit long-run harmful sales behaviors, such as lack of attention to customer satisfaction. As salespeople focus on activities with immediate payoffs, they may sacrifice extra effort in selling new products or providing necessary service (e.g., customer-oriented activities).

The level of sales quotas assigned can impact salespeople’s decision-making. Salespeople may, therefore, make decisions that provide the best opportunity to obtain their sales quotas (Ross 1991), even if that means making unethical choices (Robertson and Anderson 1993; Schwepker and Good 1999). This outcome is important because those who make ethical moral judgments tend to show concern for the welfare of others (e.g., the satisfaction of customers) (cf. Reidenbach, Robin, and Dawson 1991), exhibit fair play, honesty and full disclosure when dealing with customers (Roberston and Anderson 1993) and avoid over-selling (Hansen and Riggle 2009). These are characteristics typically associated with customer-oriented salespeople. Conversely, selling-oriented salespeople who demonstrate low concern for customers are less likely to be concerned with how the sale is made (as long as it is made), and thus may resort to deception and dishonesty. Under pressure to achieve a difficult sales quota, salespeople are likely to practice a more selling-oriented approach (i.e., be less customer-oriented), foregoing the rather time-consuming customer-oriented approach in support of a quick sale (by whatever means necessary) in order to achieve impending performance goals.

Sales Force Control and Trust in the Organization

Although several definitions of trust exist, most suggest that trust refers to “one's expectations, assumptions, or beliefs about the likelihood that another's future actions will be beneficial, favorable, or at least not detrimental to one's interests” (Robinson 1996). Trust is therefore predicated on a conviction that the trustee is predictable, reliable, has integrity, and will act fairly (McAllister 1995).

A primary dimension of organizational trust is concern for employees (Shockley-Zalabak, Ellis, and Winograd 2000). Concern occurs when one party does not take advantage of another party’s vulnerability (Cummings and Bromiley 1996), and when one’s self interests are balanced with others’ interests (Mishra 1996). Because controls suggest the distribution of performance risk between the organization and employee (Oliver and Anderson 1994), a salesperson takes cues from the types of sales controls instituted to construe the positive or negative support and caring intentions of the organization, thereby affecting his or her trust in the organization (Atuahene-Gima and Li 2002).

Outcome control’s “hands-off” approach to managing salespeople transfers considerable performance risk to the salesperson, since environmental and company factors beyond the
salesperson’s control may affect output (Oliver and Anderson 1994). Performance risk is thought to elevate to the extent to which an employee is compensated on the basis of outcomes beyond his or her control (Whitener et al. 1998). Atuahene-Gima and Li (2002) believe that since output control enhances the salesperson’s performance risk, this sends a negative sign regarding the firm’s lack of concern and support for the salesperson. Therefore, when salespeople perceive quota to be difficult they may be less likely to trust their organization.

**Trust in the Organization and Customer-Oriented Selling**

The relationship between trust in the organization and customer-oriented selling is in part based on the inherent meaning of trust. Truthfulness, fairness, integrity, and ethical behavior - components comprising the foundation of trust - are the same behaviors expected of the customer-oriented seller. Salespeople who trust their organization have an expectation that their organization will abide by these principles and are likewise to reciprocate in the same manner.

Although the relationship between salespeople’s trust in the organization and customer-oriented selling has not been empirically investigated, evidence shows that salespeople are more likely to practice customer-oriented selling when employee/supervisor relations are marked by high trust (Martin and Bush 2006). Additional support tying trust in the organization to customer-oriented selling comes from the positive influence of trust in the organization on organizational citizenship behaviors (Robinson and Morrison 1995). Customer-oriented salespeople are likely to exhibit organizational citizenship behaviors, such as altruism and conscientiousness, when interacting with customers. Conversely, a lack of trust in the organization may result in selling-oriented behaviors. As trust in the organization decreases, perceptions of contract breach, which are typically manifested in negative attitudes and behaviors, increase (Ferres, Connell and Travaglione 2005). Employees who lack trust in the organization are prone to engage in deviant behavior detrimental to the organization (Rahim and Nasurdin 2008). Therefore, it is expected that the greater the salesperson’s trust in the organization, the greater his use of customer-oriented selling.

**Sales Force Control and Salesperson Performance**

This study examines both behavioral performance, dealing with activities related to generating sales, and outcome performance dealing with results from sales activities (Cravens et al. 1993). Performance is enhanced when individual and group goals are compatible, and diminished when conflicts exist between the two objectives (Seijts and Latham 2000). Due to the nature of most seller compensation and reward systems, salespeople should logically desire lower goals that
they can exceed, and in-turn, receive higher *individual* returns (recognition, compensation, etc.) for surpassing their goals. While this may be in conflict with organizations wanting greater returns (e.g., paying less for greater achievement), salespeople generally understand that rewards typically are based on exceeding expectations, *not* on increasing expectations or effort. In this regard, when sales professionals visualize highly obtainable goals, performance can be expected to flourish because they understand the link between goals (e.g., sales quotas) and rewards. Thus, while effort may increase with more difficult goals, we expect performance to decrease as perceptions of sales quota difficulty increase.

**Customer-Oriented Selling and Salesperson Performance**

Results from two separate meta-analyses, one including 18 samples comprised of 3,800 salespeople, and the other 16 studies involving 3,477 salespeople, found that customer-oriented selling has a positive effect on job performance (Franke and Park 2006). Interestingly, the Franke and Park (2006) meta-analysis did not find customer-oriented selling to be related to either manager-rated or objective performance, only subjective measures of performance. However, a recent longitudinal study of direct salespeople suggests a positive relationship between customer-oriented selling and objective performance over the long run (Jaramillo and Grisaffe 2009).

**Findings and Implications for Real Estate Professionals**

Data for this study was collected via a U.S. nationwide electronic mail survey of 345 business-to-business sales professionals, many (27%) who were paid exclusively via commission. A statistical modeling approach was used to determine the relationships between sales quotas, trust in the organization, customer-oriented selling, and sales performance. The results demonstrate that perceptions regarding quota difficulty can have unintended consequences. While quotas may be intended to motivate and direct desired sales behaviors, they may indirectly negatively impact salespeople’s behavior with customers, as well as directly negatively impact their sales performance.

The findings suggest that when sales quota assignments are perceived to be difficult, salespeople are less likely to trust the organization. If managers anticipate that sales quota assignments will be perceived as a difficult assignment by the sales force, it may be wise for managers to openly communicate such issues as how assignments were reached, and why the quota is fair, while confirming managerial and organizational commitment to obtaining the sales quotas.

Enhancing trust in the organization (i.e., real estate agency) is important because it translates into positive behaviors that may cultivate positive returns from clients. For example, firms seeking to create a strategic, customer-focused selling environment need to purposefully structure internal management mechanisms to foster organizational trust among agents. Dealing honestly with agents, creating obtainable and realistic sales objectives, and encouraging open internal
communication systems all provide opportunities at the “field level” to enhance internal trust, and, as a result, more client-focused selling conditions.

Results also show that as sales quotas are perceived to be more difficult, salespeople’s outcome and behavior performance decreases. Communication, again, should be seen as a pivotal management tool that has direct applicability to these findings. For example, having sales managers clearly define and discuss sales quotas, the rationale behind them and allowing agents to participate in quota assignment should all result in less internal suspicion about assigned sales quotas. By defining realistic expectations through the design of sales quotas that are accurate representations of what can be accomplished, as well as by providing appropriate support (both tangible and managerial resources), the agency can lower perceptions of quota difficulty and thus enhance agent performance.

Finally, results show that the more customer-oriented the salesperson, the greater his or her sales performance can be expected. These findings indicate that agents who strategically seek to assist customers through understanding their needs and helping their clients reach specific objectives can typically expect these efforts to result in returns that will benefit their own real estate agency. Therefore, agencies can defend directing agents to invest the extra time and effort in understanding and working with clients (i.e., practicing customer-oriented sales behaviors), in realizing these investments will be returned in terms of positive performance outcomes.

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