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How sales strategy translates into performance: The role of salesperson customer orientation and value-based selling

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ABSTRACT

The role of selling has become increasingly analytical and it is a central topic on senior management's agenda in business markets. Still, sales strategy remains an under-researched topic in the business-to-business marketing domain. Very little is known about how to implement it effectively or about the mechanisms of how sales strategy affects performance, despite its apparent importance for firm success. Drawing on a large-scale sample of 816 salespeople and directors from 30 sales organizations, and employing multilevel structural equation modeling, this study sheds light on the chain of effects that transforms sales strategy as an organizational variable into selling performance captured on the individual salesperson level. The findings demonstrate that a firm's sales strategy is related to market performance and affects salesperson selling performance both directly and indirectly. Further, the results show that each sales strategy dimension affects salesperson performance in a unique way. Of the three dimensions of sales strategy studied, only segmentation directly impacts salesperson selling performance. Prioritization and selling models impact salesperson performance indirectly, via their impact on customer orientation and value-based selling. These results lead to actionable implications for the effective implementation of sales strategy in business markets.

1. Introduction

Business-to-business firms' selling practices are becoming increasingly analytical and top-management focused (Homburg et al., 2000; Homburg et al., 2008a, 2008b; Leigh & Marshall, 2001; Storbacka et al., 2009). While the conceptualization of sales strategy (Panagopoulos & Avlonitis, 2010) has been an important step in studying these more strategic rather than operational aspects of selling, few empirical studies have shed light on the effect of sales strategy on performance. Most research on sales strategy remains conceptual or provides only anecdotal evidence (e.g., Ingram et al., 2002).

How can firms increase the performance outcomes of their sales strategy? "By effective implementation" is the most straightforward answer. Marketing and organizational scholars have long identified strategy implementation as an important mechanism linking strategy to performance outcomes (Bonoma, 1984; Noble & Mokwa, 1999). They widely agree that effective implementation is pivotal for translating a strategy's performance potential into actual firm performance, and some have even suggested that strategy implementation is more important for performance outcomes than the strategy itself. As Sterling (2003, p. 27) observes, "effective implementation of an average strategy, beats mediocre implementation of a great strategy every time."

Yet, current business marketing studies provide only little guidance for firms on how to implement their sales strategies effectively. This limitation is due to the fact that surprisingly little is known about the mechanisms that translate sales strategy into performance in business markets. The limited understanding stems from three important gaps in the literature. First, it was not until recently that a study conceptualized sales strategy and provided initial evidence for a significant impact of sales strategy on performance, but it raised the question of why the performance relationship was rather weak and underlined the need to study more closely "the chain of effects" of how sales strategy affects performance (Panagopoulos & Avlonitis, 2010, 54). Second, empirical research on sales strategy has focused thus far on organizational-level variables when studying the relationship between sales strategy and performance (Panagopoulos & Avlonitis, 2010). Although research has produced critical insights into firm-level issues affecting the effectiveness of sales strategy, the role of salespeople and their behaviors in the implementation of a firm's sales strategy have remained almost

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unstudied. This is in contrast to prior research which suggests that salespeople are the key to strategy implementation and that salespeople's customer orientation is particularly important to this end (Noble & Mokwa, 1999; Saxe & Weitz, 1982). Third, scholars have recently stressed the relevance of a specific salesperson behavior – value-based selling – in successfully transforming a firm's value proposition into sales performance in business markets (Anderson et al., 2009; Terho et al., 2012; Töytäri et al., 2011). Yet no empirical research has investigated how value-based selling relates to salesperson performance or how the concept contributes to the sales strategy–performance link.

In this study we address these important concerns by developing and testing a theoretical model of *how sales strategy translates into performance in business markets*. Our focus lies principally on salespeople and their role in implementing sales strategy. Specifically, the study (a) develops a model of how three conceptually distinct facets of sales strategy affect salespeople and their selling performance; (b) tests the hypothesized direct, mediated, and moderating effects of these facets on salesperson selling performance; and (c) further investigates the relationship between sales strategy and organizational market performance employing multilevel structural equation modeling, based on a large-scale data set of 816 salespeople and directors from 30 independent sales organizations.

The study makes several important contributions to the existing literature. First, our research offers novel insights into the complex mechanisms that translate sales strategy into salesperson performance. It shows that each sales strategy dimension affects salesperson performance in a unique way and, in addition to a direct effect, the performance outcomes of the sales strategy depend on salespeople's customer orientation and value-based selling behavior. Since sales strategy dimensions and sales force behaviors vary across firms, our results can explain the modest overall effect of sales strategy on performance found in prior research (Panagopoulos & Avlonitis, 2010). Second, sales strategy's moderating effect on the relationship between salespeople's customer orientation and performance as well as value-based selling's mediating role in the relationship between customer orientation and salesperson performance can help explain why prior meta-analytic research (Franke & Park, 2006) has not found a consistent effect of customer orientation on salesperson performance. Third, our study provides an operationalization of value-based selling and shows that it plays a key role in linking organizational- and individual-level determinants of performance on business markets. Finally, from a methodological perspective, our research demonstrates that multilevel analysis is well suited to strategy implementation research. Strategy implementation spans different hierarchical levels within an organization, such as sales directors and individual salespeople. Multilevel analysis can model causal processes that take place within and also between hierarchical levels, thereby enabling a deeper understanding of the practical challenges of strategy implementation.

2. Sales strategy in business markets

Traditionally, most marketing literature has considered sales as a tactical activity related to implementing marketing strategies. However, recent studies have found that the role of selling in business firms is in practice often much more central than the marketing literature suggests (Haas et al., 2012; Homburg et al., 2008a, 2008b), and that there is currently an evident change in the selling practices of business firms, which are moving from an operational focus toward a more strategic one (Geiger & Guenzi, 2009; Leigh & Marshall, 2001; Storbacka et al., 2009). This change toward more analytical and senior-management focused aspects of selling has been associated with the fact that leading business-to-business firms are shifting from a goods-dominant logic to a service-dominant logic, in which they emphasize high value-added offerings (e.g., complex services, integrated solutions and hybrid offerings) and a value co-creation perspective (Grönroos, 2008; Tuli et al., 2007; Ulaga & Reinartz, 2011; Vargo & Lusch, 2004). In this type of business the focus of selling is not only on executing strategy but also, increasingly, on driving strategic initiatives toward both customers and the organization (Storbacka et al., 2009, 2011). The recent study by Panagopoulos and Avlonitis (2010) provides a conceptualization of sales strategy and can therefore be seen as an important step in advancing sales research beyond the tactical aspects of selling.

Sales strategy has been defined as “the extent to which a firm engages in a set of activities and decisions regarding the allocation of scarce sales resources (i.e., people, selling effort, money) to manage customer relationships on the basis of the value of each customer for the firm” (Panagopoulos & Avlonitis, 2010, p. 48). The main difference between a firm's sales strategy and its marketing strategy is that sales strategy decisions pertain to how the firm relates to and interacts with individual customers within a market segment, whereas marketing strategy has a broader market-level focus and addresses questions related to generating and sustaining competitive advantage (Ingram et al., 2002; Spiro et al., 2008).

In the present study, we are particularly interested in how sales strategy dimensions – customer segmentation, customer prioritization, and selling models – affect salespeople and their performance. Our conceptualization of sales strategy is based on Panagopoulos and Avlonitis's (2010) research. However, given our focus on salespeople and their role in implementing sales strategy, we omit their multiple sales channel dimension for the purpose of our analysis.

We present our conceptual model in more detail in Section 3. The research model extends current knowledge concerning firms' sales strategy in four important ways. First, it substantiates empirical evidence for the influence of sales strategy on organizational performance. Second, our multilevel perspective enables us to study the effects of sales strategy on individual salespeople's performance rather than just firm performance. We thereby extend current findings that are based on senior management's overall assessment of their sales forces' performance. Third, our study produces new insights about the differential performance outcomes of individual sales strategy dimensions. This complements earlier sales strategy research, which has analyzed the performance relationship based on an aggregated sales strategy construct. Fourth, and most importantly, Panagopoulos and Avlonitis (2010, p. 54) raised the question of why the found link to performance is relatively weak, and underlined the need to further explore “the chain of effects” of how sales strategy affects performance. To this end, we extend the analysis to the impact of sales strategy on salespeople's customer-directed selling approaches, hypothesized to play a critical role in transforming sales strategy into performance. We focus on two customer-directed selling concepts, namely salespeople's customer orientation and value-based selling. These concepts have been identified as particularly important determinants of salesperson performance in business markets, where the dominant question has been the creation of value in close, long-term customer relationships (Haas et al., 2012; Ulaga & Eggert, 2006). While customer-oriented salespeople play a critical role in building such relationships (Saxe & Weitz, 1982; Zablah et al., 2012), business-to-business salespeople are effective to the extent to which they create value for customers (Anderson et al., 2009; Blocker et al., 2012; Saxe & Weitz, 1982; Terho et al., 2012).

3. A multi-level framework of the performance effects of sales strategy

Fig. 1 presents our conceptual multilevel model of how sales strategy affects performance. As shown in the figure, in addition to the organizational-level effect of sales strategy on market performance, we investigate how sales strategy dimensions (selling models, customer prioritization, and customer segmentation) affect salesperson performance, as well as exploring important individual-level relationships between salespeople's customer orientation, value-based selling, and performance.

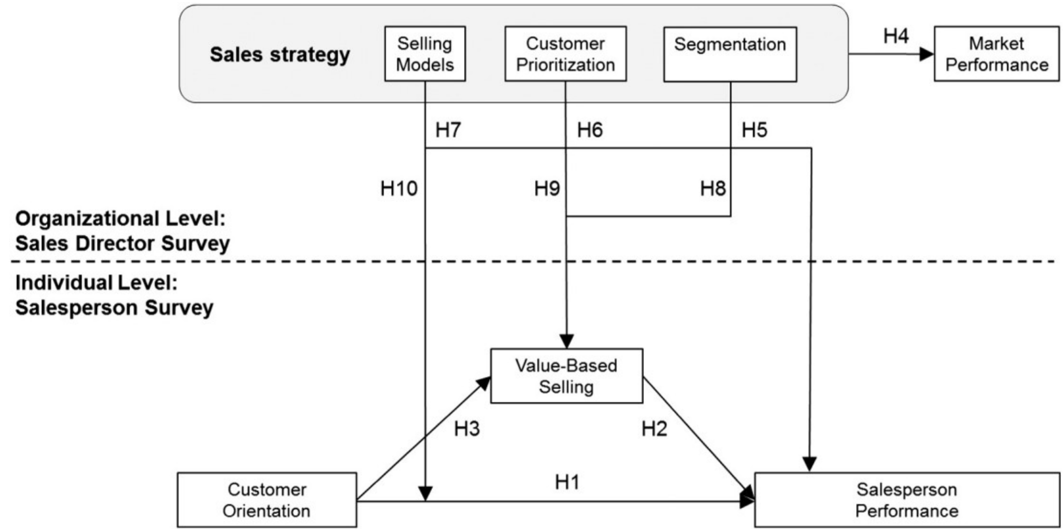

Fig. 1. Multilevel conceptual model.

Our model reflects the importance of salespeople and their behaviors in understanding the performance implications of sales strategy. This is because sales strategy produces performance outcomes through its effects on the actions of sales organizations and because salespeople are sales organizations' key actors who implement their firms' sales strategy through their conduct and behavior.

3.1. Individual-level determinants of performance

3.1.1. Customer orientation and salesperson performance

While salesperson performance is behavior evaluated in terms of its contribution to the goals of the organization (Churchill et al., 1985), we define salespeople's customer orientation as their tendency or predisposition to meet customers' needs (Brown et al., 2002). Our conceptualization of customer orientation reflects findings of a recent meta-analysis by Zablah et al. (2012), which concludes that a salesperson's customer orientation is best seen as a psychological rather than a behavioral phenomenon.Since its introduction into the literature by Saxe and Weitz (1982), the concept of a salesperson's customer orientation has been widely studied and proposed as a major determinant of salesperson performance (Plouffe et al., 2009; Schwepker, 2003). Customer orientation means implementing the marketing concept at the level of an individual salesperson and refers to trying to help customers make purchasing decisions that will satisfy their needs and generate long-term satisfaction (Saxe & Weitz, 1982). As a salesperson's customer orientation increases, he or she places higher importance on working in customers' best interests and identifying offerings that suit their needs. We therefore expect a positive relationship between customer orientation and salesperson performance. Although a recent meta-analytic study did not find a consistent effect of customer orientation on performance (Franke & Park, 2006), previous research provides evidence for this relationship (Jaramillo et al., 2007). Hence:

H1. Salesperson customer-orientation increases salesperson performance.

3.1.2. Value-based selling and salesperson performance

Value-based selling has been defined as “the degree to which the salesperson works with the customer to craft a market offering in such a way that benefits are translated into monetary terms, based on an in-depth understanding of the customer's business model, thereby convincingly demonstrating their contribution to customers' profitability” (Terho et al., 2012, p. 178). As such, value-based selling is deeply embedded in value co-creation logic and emphasizes the importance of seller–customer interaction for effective co-creation of value (Grönroos, 2008; Vargo & Lusch, 2004; in the context of selling see Baumann & Le Meunier-FitzHugh, 2014; Haas et al., 2012). The construct translates the need for business-to-business salespeople to work together with their customers to understand the selling firm's potential contribution to customers' business performance, to develop tailored offerings for customers, and effectively communicate how the supplier can contribute to achieving customer goals. These elements have been described in the business marketing and sales literatures as key ingredients of effective salesperson behaviors (Anderson et al., 2009; Weitz & Bradford, 1999).We suggest a positive relationship between value-based selling and salesperson performance. Salespeople who practice value-based selling focus on proactively crafting and promoting market offerings that have great potential to add value to the customer's bottom line through cost savings and/or performance enhancements (c.f. Adamson et al., 2012; Keränen & Jalkala, 2013; Ulaga & Eggert, 2006). When an offering provides substantial value opportunities to a customer, the customer should have a strong incentive to buy the high-value offering, even at a price premium (Anderson & Wynstra, 2010; Töytäri et al., 2011). Thus:

H2. Salesperson value-based selling increases salesperson performance.

3.1.3. Customer orientation and value-based selling

Customer-oriented salespeople are predisposed to meet customers' needs (Brown et al., 2002), and business customers' needs relate closely to the selling firm's potential contribution to customers' performance (Anderson et al., 2009; Ulaga & Eggert, 2006). As salespeople's customer orientation increases, they are more inclined to engage in behaviors that facilitate customer value and convincingly demonstrate the related value-in-use potential for the customer, which is at the heart of value-based selling (Terho et al., 2012). Value-based selling should therefore be an effective way for salespeople to implement their customer orientation in business markets. Consequently:

H3. Salesperson customer orientation increases salesperson value-based selling.

3.2. Organizational-level determinants of performance

3.2.1. Sales strategy and firm market performance

In line with previous research (Panagopoulos & Avlonitis, 2010), we consider market performance as a key consequence of sales strategy.

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We define market performance as a firm's performance in terms of the development of the number of products or services sold, which in turn is captured by customer loyalty, the acquisition of new customers, and the achievement of the desired market share and growth rate (Homburg et al., 2010).

Sales strategy requires firms to engage in segmenting and prioritizing customers, as well as in developing different selling models to reach each customer (Panagopoulos & Avlonitis, 2010). Performing these activities enables firms to efficiently allocate resources across different customers so that they can effectively interact with and relate to their customers (Homburg et al., 2008a, 2008b; Leigh & Marshall, 2001; Ramani & Kumar, 2008). More specifically, segmentation should help firms' sales forces to better understand and identify customers with different types of business needs and to align their sales approaches accordingly. Prioritization helps salespeople to allocate their limited resources more effectively to customers according to the value they represent for the selling firm. It should also have a positive overall effect on customers as studies have shown that prioritization increases the satisfaction and loyalty of top tier customers while not having any harmful effects on the satisfaction of lower tier customers (Homburg et al., 2008a, 2008b). Finally, specific selling models, ranging from transactional to collaborative modes, should enable salespeople to effectively match their selling approach with customers and therefore to help develop long-lasting relationships, which is generally considered to be related to superior sales force performance (Panagopoulos & Avlonitis, 2010). In sum, sales strategy should help firms in efficient and effective resource allocation and customer interactions, which in turn should be related to superior market performance. In order to keep this replication-focused hypothesis relating to organizational performance comparable to Panagopoulos and Avlonitis's (2010) study, we focus on the aggregated effect of sales strategy on market performance:

H4. Firm sales strategy increases firm market performance.

3.2.2. Sales strategy dimensions and salesperson performance

In addition to looking at sales strategy's organizational-level effect on market performance, we investigate more closely how the individual sales strategy dimensions – customer segmentation, customer prioritization, and selling models – affect salesperson performance. While aligning the sales strategy between senior management and the individual salesperson is not always easy and might take considerable time due to, for example, different priorities and perceptions (Noble & Mokwa, 1999; Panagopoulos & Avlonitis, 2010; Wieseke et al., 2008a, 2008b), sales strategy dimensions should support salespeople in their selling efforts. Since the dimensions represent distinct areas of sales strategy with different emphases, they should affect salesperson performance in unique ways based on the different mechanisms discussed in more depth below in the light of theory.

We posit that customer segmentation has a positive effect on salesperson performance. Customer segmentation refers to the degree to which a firm undertakes the systematic process of developing a highly granular customer typology that allows for the identification of individual customers within each target market (Panagopoulos & Avlonitis, 2010). Leigh and Marshall (2001, p. 86) highlight that best-practice business-to-business firms should segment their markets according to how their customers prefer to buy. When salespeople understand their customers better in terms of, for example, the customers' buying behaviors, needs, and fit with the firm's value creation strategy, they are likely to spend fewer resources on planning their sales calls and are more effective in interacting with the customers, which results in increased performance.

We suggest that there is a positive relationship between firm customer prioritization and salesperson performance. Customer prioritization refers to a firm's different and preferential treatment of customers according to their economic or strategic value to the firm (Homburg et al., 2008a, 2008b). Systematic prioritization efforts by a firm help the firm's salespeople rank their customers according to the customers' likely returns and align efforts accordingly, which should increase the salespeople's performance (Storbacka et al., 2011).

We expect firm selling models to positively affect salesperson performance. The sales strategy dimension of selling models relates to the degree to which firms pursue systematic activities in order to develop different relationship objectives and selling approaches to reach each customer (Panagopoulos & Avlonitis, 2010; Rackham & DeVincentis, 1999). As firms develop different sales processes in accordance with customers' different goals and needs, the firms' salespeople receive support in matching their selling approaches to customers' buying approaches (Autry et al., 2013). As a consequence, salespeople should be more efficient and effective in applying appropriate selling approaches across customers and, in so doing, enhance their performance. Hence:

H5. Firm customer segmentation increases salesperson performance.

H6. Firm customer prioritization increases salesperson performance.

H7. Firm selling models increase salesperson performance.

3.2.3. Sales strategy dimensions and value-based selling

Sales strategy can also be expected to improve salesperson performance indirectly by driving effective salesperson selling approaches. More specifically, we suggest that customer segmentation and customer prioritization have a positive effect on value-based selling. Firms that engage in segmentation and prioritization invest resources in order to support their salespeople by identifying meaningful customer segments and rank-ordering customers according to their value to the firm (Homburg et al., 2008a, 2008b; Panagopoulos & Avlonitis, 2010). Given these investments, firms should expect their salespeople to use the information resulting from their segmentation and prioritization processes to generate returns on the investments. This effect may take time as firms may find it difficult to obtain strategy commitment from their salespeople (Wieseke et al., 2008a, 2008b).

Firms that invest in customer segmentation create a better understanding of their customers' business needs and the type of value their customers are looking for (Leigh & Marshall, 2001). Importantly, investments in segmentation should lead to the identification of customer groups who are looking for high value-added offerings. This should encourage salespeople to adopt a value-based selling approach for these customer groups, since the efforts to proactively craft value propositions that are substantive from the customer's point of view and the related efforts to communicate the value potential of the offering to the customer should be highly appealing for these segments (Terho et al., 2012; Töytäri et al., 2011). The knowledge related to customer needs and buying approaches is also important for carrying out value-based selling because such a selling approach may vary in its importance across customers. For example, customers may look for predefined resources for their business and buy based on lowest price or on their loyalty to existing suppliers (Anderson et al., 2000; Grönroos, 2008; Kowalkowski, 2011; Storbacka et al., 2011). Hence segmentation should be an antecedent of salespeople's value-based selling behavior.

Customer prioritization should also be of major importance for driving salespeople to engage in value-based selling. Firms invest in prioritization with the aim of identifying the group(s) of high-value customers (Homburg et al., 2008a, 2008b). Once they have identified high-potential customers, they have a strong incentive to exploit the value potential of these customers by developing and selling high value-added offerings. Since value-based selling is particularly well suited to accomplishing this task (Terho et al., 2012), firms that prioritize customers are expected to encourage their salespeople to engage in value-based selling. In addition, customer prioritization is necessary to make investments in value-based selling economically worthwhile. Value-based selling is a costly selling approach because it requires deep customer insights and upfront investments in terms of effort and time in order to understand the customer's business, co-create the offering, and provide evidence of the offering's value potential (Terho et al., 2012). Hence:

H8. Firm customer segmentation increases salesperson value-based selling.

H9. Firm customer prioritization increases salesperson value-based selling.

3.2.4. Selling models and the salesperson's customer orientation–performance relationship

We propose that firms' selling models have a positive effect on the relationship between salesperson customer orientation and salesperson performance. The more effectively salespeople are able to translate their customer-oriented attitude into appropriate behaviors that increase long-term customer satisfaction, the higher the salespeople's performance. Selling models should help salespeople transform their customer orientation into concrete selling efforts (Panagopoulos & Avlonitis, 2010). When a firm develops distinct sales processes aligned to customers' different needs and goals, it also becomes easier for customer-oriented salespeople to identify and adopt effective customer-specific behaviors and effectively adapt the behaviors across customers, resulting in higher performance outcomes as a result of salespeople's customer orientation (cf. Autry et al., 2013). Thus:

H10. Firm selling models strengthen the relationship between salesperson customer orientation and salesperson performance.

4. Methodology

4.1. Data collection

To test our hypotheses we conducted a large-scale survey among international business firms employing a multilevel research design. The data was collected on two hierarchical levels: organizational (i.e., sales director) and sales force (i.e., salesperson) level. The list of the 200 largest firms in Finland, with turnover ranging from €30 billion to €130 million, served as the starting point for data collection. Firms that operated mainly in business-to-consumer markets and non-profit sectors or that primarily supplied their owners or operated a volume-dominated business were removed from the list. Data collection proceeded in several steps.

In the first step, we called senior sales executives (vice president, head of sales, sales director) of each firm on the list and explained the aims and scope of our research and asked whether they were interested in participating in the study. To motivate directors to participate in our study and grant access to their sales organizations, we offered tailored benchmark reports and executive summaries of the study results. The process of contacting firms, negotiating with different levels of decision makers, and gaining approval from top management lasted approximately five months. Ultimately, 45 independent sales organizations representing energy, industrial, information and communications technology (ICT), and materials industries agreed to participate in our study. Although firms were initially contacted in Finland, the participating organizations represent global or international firms with strong market positions and international sales organizations. Typical participating organizations were European, North American, or Asian sales forces representing a key business area of the participating firm.

In the second step, participating firms provided contact information for respondents on both the organizational level (i.e. sales director) and the sales force level (i.e. customer-facing salespeople). Data were collected using a web-based survey tool for both respondent groups. To increase response rates, sales directors serving as key sponsors of our study encouraged their sales organizations to participate in the research project. To ensure that the respondents would respond as candidly as possible about their selling practices, we emphasized two points in the survey instructions. First, we promised anonymity for all salesperson respondents to avoid potential biases; second we highlighted the importance of "objective" responses for the effective benchmarking of sales practices.

After three reminders, we received a total of 816 responses from salespeople and directors from 30 independent sales organizations, with a minimum of 15 and an average of 27 salesperson responses per organization. Sales organizations with fewer than 15 responses were discarded to fulfill data requirements for multilevel analysis. The salespeople in our dataset were highly qualified, with an average of 13.65 years of experience in sales. Salesperson participants typically had job titles such as sales manager or customer engagement manager. Table 1 summarizes sample characteristics.

Importantly, the multilevel research design applied in our study including data from two respondents represents a recommended procedural remedy against common method bias (Podsakoff et al., 2003, p. 887). Accordingly, common method bias is likely not to be a major problem in the study since the key level of analysis concerns cross-level relationships measured from two different respondents. We found several significant cross level relationships including moderation that cannot be caused by common method variance.

4.2. Measures

We relied on existing scales whenever possible (see Appendix 1 for scale items). Customer orientation was measured using the scale by Thomas et al. (2001), and salesperson performance was operationalized based on Homburg et al. (2011). Sales strategy dimensions were measured based on the Panagopoulos and Avlonitis (2010) scales. The segmentation scale was limited to customer buying preferences as underlined in strategic business-to-business selling literature (Leigh & Marshall, 2001, p. 86). Market performance was adopted from Homburg et al. (2010).

Since no established scale existed for value-based selling, we followed standard procedures for developing new scales (Churchill, 1979). First, we started with a review of the literature on customer value in general and value-based selling in particular (Kaario et al., 2003; Rackham & DeVincentis, 1999; Terho et al., 2012; Töytäri et al., 2011). Second, we conducted eleven field interviews with senior sales directors to better understand the domain of the value-based selling construct. Third, based on the literature review, construct definition, and the qualitative insights, we developed an item pool. Fourth, we performed Anderson and Gerbing's (1991) item sort task together with 23 academic experts in order to ensure content validity of the initial items using $p_{sa} > .70$ and $c_{sv} > .50$ as criteria for scale validity.

Table 1
Sample composition: the number of firms and salespeople per industry.

Industry	Org. N	Sp. N
Energy — energy equipment & services	2	95
Industrials — commercial services & supplies	2	52
Industrials — construction & engineering	2	47
Industrials — electrical equipment	1	16
Industrials — machinery	9	279
Industrials — marine	1	23
Industrials — transportation infrastructure	1	35
Information technology — communications equipment	2	50
Information technology — electronic equipment, instruments & components	1	17
Information technology — IT services	6	132
Materials — chemicals	2	44
Materials — metals & mining	1	26
Total	30	816

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Finally, we assessed clarity and relevance of the final set of indicators in face-to-face reviews with six practitioners with extensive knowledge in the area.

Scale validity and reliability are supported based on empirical data since our constructs display satisfactory psychometric properties. All indicator loadings are positive, significant and above the .50 threshold. Alpha values are also above their .70 requirements (Nunnally, 1978). In support of discriminant validity, squared construct correlations do not exceed the average variances extracted of the individual constructs (Fornell & Larcker, 1981). The sales strategy construct was operationalized through three dimensions that together determine the overall level of sales strategy (Panagopoulos & Avlonitis, 2010). Since the three dimensions measure different areas of the higher-order sales strategy construct it is logical that the dimensions are closely correlated. Importantly, the dimensions still pass the established tests of discriminant validity, supporting the theoretical rationale that these dimensions represent distinct, but related, constructs. Finally, the newly developed value-based selling scale has good psychometric properties, supporting the validity of the measure. Table 2 summarizes descriptive statistics, internal consistency reliabilities, and correlations of all study variables.

4.3. Analytical approach

We applied multilevel modeling to account for our hierarchical data structure (Raudenbush & Bryk, 2002). The hierarchical data structure is a result of collecting data on individual salespeople that are "nested" in their respective sales organizations (Wieseke et al., 2008a, 2008b). The observations on the individual level may therefore not be independent, since salespeople in a given organization may share common characteristics. However, this independence is a prerequisite for single-level analysis techniques such as ordinary linear regression analysis (Hox, 2010). Failure to establish independence may lead to erroneous estimations of standard errors and to incorrect conclusions (Cohen et al., 2003). Multilevel models are able to handle hierarchical data structures and to correct the respective standard errors. Further, multilevel models allow simultaneous estimation of effects on the individual level as well as cross-level effects operating from the organizational to the individual level (Cohen et al., 2003).

5. Results

We used Mplus 7 to test our set of hypotheses and followed recommended procedures for a stepwise model-building approach (Muthén & Muthén, 2010). The research model was estimated in three steps (see Table 3 for a summary of results).

Model 1 estimated the hypothesized relationships on the individual salesperson level as a random intercept model. The model has an acceptable fit with the data (CFI = .92; TLI = .91; SRMR = .05) and parameter estimates confirm two of the three hypotheses on the individual level. Interestingly, without considering higher-level effects, model 1 shows no significant direct relationship between customer-oriented selling and salesperson performance (H1: path estimate = .02, ns.). In turn, we find that value-based selling increases salesperson performance (H2: path estimate = .25, $p < .01$) and that salesperson customer-orientation has a positive and significant impact (H3: path estimate = .59, $p < .01$) on value-based selling.

Model 2 adds direct relationships from sales strategy to organizational and individual performance. In line with Little et al. (2002), we used composite construct values calculated by means of factor analysis. Since factor analysis produces standardized composite values, the coefficients of our multilevel models can be interpreted as standardized (Hox, 2010). Replicating Panagopoulos and Avlonitis's (2010) findings, sales strategy has a significant overall effect on firm level market performance (H4: path estimate = .19, $p < .01$). However, of its three dimensions, only segmentation (H5: path estimate = .21, $p < .01$) has a significant direct impact on salesperson performance, while prioritization (H6: path estimate = −.08, ns.) and selling models (H7: path estimate = .04, ns.) have no significant direct links to salesperson performance.

Building on these insights, model 3 introduces indirect cross-level effects from sales strategy to salesperson performance in a random intercept and slope model. While segmentation has a non-significant impact on value-based selling (H8: path estimate = −.06, ns.), prioritization is established as a significant antecedent variable (H9: path estimate = .11, $p < .01$). Finally, multilevel analysis confirms the hypothesized cross-level interaction effect of selling models on the link between customer orientation and salesperson performance (H10: path estimate = .11, $p < .01$), indicating that salespeople's customer orientation has a significantly higher impact on salesperson performance when different selling models are promoted in the organization. In addition to this moderated relationship, the direct impact of customer orientation on salesperson performance becomes significant when accounting for cross-level effects, thereby also confirming H1 (path estimate = .08, $p < .01$).

Overall, parameter estimates show that sales strategy dimensions impact salesperson performance through different routes. We discuss these routes and their implications for managers and researchers in the next section

Table 2
Correlation matrix.

Variables	1	2	3	4	5	6	7
Level 2: organizational survey							
1. Sales strategy: segmentation	**.78**						
2. Sales strategy: prioritization	.46	**.78**					
3. Sales strategy: selling models	.44	.77	**.83**				
4. Market performance	.22	.34	.30	**.85**			
Level 1: salesperson survey							
5. Value-based selling	.03	.12	.10	.28	**.77**		
6. Salesperson performance	.18	.07	.09	.40	.28	**.77**	
7. Customer orientation	.04	.00	.00	.00	.53	.20	**.77**
Mean	4.58	5.10	4.57	.71	5.72	1.01	6.31
SD	1.07	.70	.79	.69	.61	1.11	.45
Cronbach's alpha	.75	.81	.83	.90	.91	.94	.85

Bold numbers on the diagonal represent the square root of the AVE.

6. Discussion

6.1. Implications for theory

Successful implementation of sales strategy can be seen as a source of competitive advantage in business markets (Panagopoulos & Avlonitis, 2010). Despite its importance for firm success, the implementation of sales strategy has remained an under-researched topic in the business-to-business marketing literature and only little is known about the mechanisms of how sales strategy affects performance. Against this background, our research provides several important contributions to the theory and practice of business-to-business marketing. Drawing on a large-scale sample of 816 salespeople and directors from 30 sales organizations and employing multilevel structural equation modeling, we can shed light on the causal processes that transform sales strategy as an organizational variable into sales performance captured on the individual salesperson level.

On the *salesperson level*, our findings establish value-based selling as an important driver of salesperson performance in business markets. The empirical findings show that salesperson value-based selling has a significant and strong impact on selling performance. The results indicate that salesperson efforts to work with a customer to find opportunities to improve its business performance, to develop tailored offerings, and to demonstrate how a co-created offering affects the customer's business performance in monetary terms are particularly suited to the characteristics of business markets (Terho et al., 2012). In business markets, customers ultimately purchase a product or service

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Table 3
Results of the basic and multilevel model.

Independent variable	Dependent variable	Model 1		Model 2		Model 3	
		Coeff.	t-Value	Coeff.	t-Value	Coeff.	t-Value
Individual-level relationships							
H1: Customer orientation	Salesperson performance	.02	.46	.08	1.55	.08	2.05**
H2: Value-based selling	Salesperson performance	.25	5.28**	.24	5.42**	.23	5.14**
H3: Customer orientation	Value-based selling	.59	21.46**	.55	17.68**	.55	17.68**
Organizational- and cross-level relationships							
H4: Sales strategy	Market performance			.19	2.97**	.19	2.97**
H5: Sales strategy: segmentation	Salesperson performance			.21	6.50**	.19	5.02**
H6: Sales strategy: prioritization	Salesperson performance			−.08	−.94		
H7: Sales strategy: selling models	Salesperson performance			.04	.51		
H8: Sales strategy: segmentation	Value-based selling					−.06	−1.06
H9: Sales strategy: prioritization	Value-based selling					.11	2.36**
H10: Sales strategy: selling models × Customer Orientation	Salesperson performance					.11	2.08**
Fit indices							
CFI		.92					
TLI		.91					
SRMR		.05					

** Significant at the 1% level — based on one tailed test of significance.

in order to increase the efficiency and effectiveness of their business, making customer value the cornerstone of business market management (Anderson & Narus, 2004). While the concept of customer value has attracted much attention during the last decade (Eggert & Ulaga, 2002; Lindgreen, 2012; Ulaga & Eggert, 2006), little is known about the implementation of a firm's value orientation at the sales force level (Blocker et al., 2012; Terho et al., 2012; Töytäri et al., 2011). Hence, this study makes an important contribution to closing this gap by being the first to introduce a measurement model for value-based selling, thereby operationalizing the customer value concept on the sales force level and documenting its positive link to salesperson performance.

The empirical results on the salesperson level further show that salespeople's customer orientation is a central antecedent to value-based selling, indicating that value-based selling builds on and also goes beyond customer orientation. In addition to the direct relationship, value-based selling partially mediates the impact of customer orientation on salesperson performance. The finding is in line with Zablah et al.'s (2012) meta-analysis indicating that customer orientation is best seen as a work value that directs salespeople's on-the-job behaviors rather than representing a concrete selling behavior. Hence, salesperson customer orientation is an imperative work value that encourages salespeople to adopt value-based selling practices, and value-based selling is a central mediator that translates salespeople's customer orientation into salesperson selling performance in business markets. In other words, the findings underline that business-to-business salespeople are effective not only to the degree to which they meet customer needs, but also to the extent to which their selling approaches facilitate customer value creation (Anderson et al., 2009; Blocker et al., 2012; Saxe & Weitz, 1982; Terho et al., 2012). This explanation can also shed light on Franke and Park's (2006) meta-analysis that found no consistent effect of customer orientation on salesperson performance.

On the *organizational level*, our findings provide a fine-grained perspective of how sales strategy is linked to performance outcomes. First, we replicate the significant relationship between sales strategy and organizational market performance found by Panagopoulos and Avlonitis (2010). Extending their work, we further explore the causal processes that transform sales strategy into individual salesperson performance. Testing direct cross-level links between sales strategy and salesperson performance, we find that only one of its dimensions, namely segmentation, directly contributes to salesperson performance. This underlines the importance of developing a granular perspective of the firm's target customers and providing salespeople with a customer typology that enables them to anticipate and understand important differences between customers and their business needs. An understanding of customers' business goals and buying approaches should not only help in efficient resource allocation, but also provide concrete tools to target different customers more effectively (Storbacka et al., 2011).

Interestingly, the two remaining dimensions of sales strategy influence salesperson performance indirectly. Prioritization is a central enabler for salesperson value-based selling. As a selling approach tailored to the specific requirements of business markets, value-based selling requires clear priority setting and cannot be performed successfully across the full portfolio of customers. Effective value-based selling requires prioritization because it is a resource-intensive selling approach that requires deep customer insights and upfront investments (Terho et al., 2012). Hence, prioritization is a key antecedent that enables and promotes the use of value-based selling in business markets (Homburg et al., 2008a, 2008b). Contrary to our expectations, segmentation was found to have a non-significant impact on value-based selling. This result may be due to the fact that many customers still employ a narrow cost-based logic to buying in business markets (Anderson et al., 2000; Grönroos, 2008, p. 309; Storbacka et al., 2011, p. 40). When salespeople are drawing on a well-designed segmentation scheme, they should not approach customers that have a short-term buying orientation using a selling logic that emphasizes long-term customer value. Rather, they should adopt more transactional selling approaches. While prioritization generally promotes the use of value-based selling for targeted customers, customer segmentation may have a positive or negative impact on how widely salespeople use value-based selling practices depending on the purchasing orientations of the customers in the selling firm's portfolio (Anderson & Narus, 2004).

Finally, organizational selling models also have an indirect effect on salesperson selling performance, since the availability of different selling models moderates the direct link between customer orientation and salesperson performance. The individual-level analysis showed that the direct relationship between customer orientation and salesperson performance is not significant. However, the introduction of different selling models within the organization significantly strengthens this direct link, reflecting the notion that customer orientation as a work value is not enough to successfully close a deal in business markets. Organizational investments in different selling models can provide salespeople with the required tools to turn their general customer orientation into concrete outcomes and help them to effectively meet heterogeneous customers' business goals, buying processes, and sourcing capabilities (Panagopoulos & Avlonitis, 2010; Rackham & DeVincentis, 1999). Further, they enable salespeople to turn their general customer focus into adapted customer-specific selling behaviors by tailoring their sales process to different types of customers which has been found to be of pivotal importance in selling (Franke & Park, 2006).

In sum, this research underscores the challenge of implementing sales strategy in business markets. A central finding is that a large part of the impact of sales strategy on salesperson selling performance is indirect in its nature and depends greatly on the customer orientation and value-based selling efforts of firm's salespeople. Since sales strategy dimensions and sales force behaviors vary across firms, our results can explain the modest direct overall effect of sales strategy on performance found in prior research (Panagopoulos & Avlonitis, 2010). Hence, the implementation of sales strategy is related to a complex chain of effects that needs to be carefully managed on both the organizational and the individual salesperson levels. The managerial implications are discussed in more detail below.

6.2. Managerial implications

Taken together, the findings from our multilevel analyses lead to a set of actionable managerial implications. First, managers should promote the acceptance of different selling models within their organizations. Business markets are too heterogeneous to allow a "one-size-fits-all" approach to selling. The findings indicate that the availability of different selling models strengthens the link between salespeople's customer orientation and selling performance. Hence, while salesperson customer-orientation is a prerequisite for successful selling in general and value-based selling in particular, our findings indicate that selling models play a central role in helping salespeople to turn their general customer orientation into concrete and effective customer-specific selling approaches. Hence sales directors should focus their attention not only on establishing a customer-oriented sales force but also on designing appropriate selling models to yield the highest returns from a customer-oriented sales force.

Second, our findings demonstrate that value-based selling is a desirable and important salesperson selling approach in business markets. Not only is value-based selling associated with salesperson performance but it also supports firms in capitalizing on their sales strategy and helps customer-oriented salespeople effectively translate their customer orientation into performance outcomes in business markets. To attain these goals, salespeople should receive training to improve their value-based selling capabilities. Terho et al. (2012) argue that value-based selling comprises three salient dimensions, namely (1) understanding the customer's business model, (2) crafting the value proposition, and (3) communicating customer value. Building on their conceptualization, training programs should be designed around these three dimensions. Further, our findings suggest that value-based selling is not an appropriate sales approach for all types of customers or selling situations. Rather, the use of value-based selling should focus on high-potential customers for which the salespeople's substantial upfront investment in time and effort in order to deeply understand the customers' business model will pay off. To achieve this, firms should invest in organizational customer prioritization representing a central antecedent that enables salespeople to effectively adopt a value-based selling approach.

Third, our findings call for action concerning the development of effective segmentation schemes in business markets. Of the three sales strategy dimensions examined, segmentation was the only one with a direct impact on both market performance and salesperson performance. While segmentation is a fundamental concept of marketing theory, many firms in business markets still rely on generic typologies that are only loosely linked to customers' heterogeneous needs and buying preferences (Anderson & Narus, 2004; Leigh & Marshall, 2001). This impedes sales performance, and the development of more effective segmentations schemes should be high on managers' agenda.

Overall, our findings highlight that sales strategy is a source of competitive advantage in business markets and that investments in sales strategy should pay off for firms. While sales strategy seems to have a rather modest direct impact on individual salesperson performance, it plays a vital role for business firms since it also affects salespeople's performance indirectly by driving effective salesperson selling efforts and by helping salespeople become more effective in their sales work.

6.3. Limitations and opportunities for future research

Although this research sheds some light on the chain of effects that transforms sales strategy into salesperson performance, we need to interpret its findings against the inherent limitations of this empirical study. This study focused on customer orientation and value-based selling as key variables on the salesperson level that translate organizational sales strategy into performance. While these variables are of fundamental importance in business-to-business selling, other sales approaches might also play significant roles and add explanatory power to the process of implementing sales strategy in business markets. Hence, future research should focus on additional selling concepts to extend our findings, for example by studying other customer-directed selling approaches such as adaptive selling or by studying salespeople's resource allocation decisions.

Further, our research employed a cross-sectional survey design. The applied multi-level research design focused on explaining sales strategy's effect on individual salesperson performance. Although our study established substantial correlation between organizational and individual level performance, we encourage future research to explore closer the longitudinal effects of the salesperson level orientations, behaviors and performance on firm performance.

The scale developed for salesperson value-based selling also provides fruitful avenues for future studies. The scale enables future studies to examine the role of the sales force in implementing the customer value concept in business markets. We encourage further studies that examine salesperson- and organizational-level antecedents of value-based selling as well as the potential contingencies related to the use of the value-based selling approach.

Finally, from a methodological perspective, our research demonstrates that multilevel analysis is well suited to strategy implementation research. Strategy implementation spans different hierarchical levels within an organization, such as sales managers and individual salespeople. Multilevel analysis can model causal processes that take place within and also between hierarchical levels, thereby enabling a deeper understanding of the practical challenges of strategy implementation. Overall, we believe that this research has added important insights into the challenges and potential roadblocks of sales strategy implementation in business markets.

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Appendix 1. Scale items

Salesperson level survey	Indicator loading
Salesperson customer orientation — short form (Thomas et al., 2001)	
Please indicate to what extent you agree with the following statements regarding your selling practice (1 = strongly disagree; 7 = strongly agree)	
I try to figure out what a customer's needs are.	.67
A good employee has to have the customer's best interest in mind.	.51

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(*continued*)

Salesperson level survey	Indicator loading
I try to bring a customer with a problem together with a product/service that helps solve that problem.	.77
I offer the product/service that is best suited to the customer's problem.	.78
I try to find out what kind of products/services will be most helpful to a customer.	.86
Salesperson value-based selling (new scale)	
To what extent do you agree with the statements concerning your sales approach to high potential customers (1 = strongly disagree; 7 = strongly agree)	
I work with my customers to find out what is needed to improve their performance.	.69
I actively demonstrate to my customers the financial impact of working with us.	.75
I focus on proactively improving my customers' business performance.	.82
I use a value-based selling approach.	.71
Based on a profound knowledge of my customers' business, I show how our products/services will improve their company's performance.	.77
I work toward improving my customers' bottom line.	.78
I focus on identifying opportunities to improve customers' business profits.	.79
Salesperson selling performance — based on Homburg et al. (2011)	
Compared with other salespeople working for your company, how would you evaluate your overall performance with regard to… (−3 = much worse; +3 = much better)	
Achieved sales in the last 12 months?	.90
Achieved orders in the last 12 months?	.89
Achieved total contribution margin in the last 12 months?	.81
Achieved closing ratio in the last 12 months?	.83
Exceeding the sales targets and objectives that are assigned to me?	.78
Selling products with higher profit margins?	.66
Generating a high euro/dollar amount of sales in my territory?	.78
Producing a high market share for my company in my territory?	.74
Identifying and selling to major accounts in my territory?	.68

Organizational survey	Indicator loading
Sales strategy: customer segmentation — based on Panagopoulos and Avlonitis (2010)	
Please indicate to what extent you do the following activities (1 = not at all; 7 = to a great extent)	
We identify market segments based on the benefits customers expect from our offering	.78
We define customer segments based on their purchasing orientations	D
We segment customers based on their fit with our value creation strategy	.90
We systematically analyze how customer segments fit with our value creation logic	.68
Sales strategy: customer prioritization — based on Panagopoulos and Avlonitis (2010)	
Please indicate to what extent you do the following activities (1 = not at all; 7 = to a great extent)	
We prioritize customers based on their importance to our firm	D
We allocate our sales resources relative to the attractiveness of the customers	.51
We have clear guidelines for qualifying high potential prospects	.70
We target our selling efforts based on customers' fit with our value creation capabilities	.84
Sales strategy: selling models — based on Panagopoulos and Avlonitis (2010)	
Please indicate to what extent you do the following activities (1 = not at all; 7 = to a great extent)	
We employ different selling models for customers that seek different types of value from working with us	.72
Our sales process has been aligned to support the value creation process for different customer segments	.86
We have adapted our selling process to meet the customers' different business goals	.76
We have matched our sales process to the buying process of different customer segments	.71
Market performance — based on Homburg et al. (2010)	
Over the last three years, how has your business unit performed relative to your competitors with respect to… (−3 = clearly worse; +3 = clearly better)	
Customer loyalty?	.64

Appendix 1 (*continued*)

Salesperson level survey	Indicator loading
Acquisition of new customers?	.78
Achieving your desired market share?	.89
Achieving your desired growth?	.80

D — dropped indicator; all indicators significant at $p < .01$.

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