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## Industrial Marketing Management



## Complexity of sales situation and sales lead performance: An empirical study in business-to-business company

Tatu Virtanen<sup>a</sup>, Petri Parvinen<sup>b</sup>, Minna Rollins<sup>c,d,\*</sup><sup>a</sup> Aalto University School of Science, P.O. Box 11000, FI-00076 Aalto, Finland<sup>b</sup> University of Helsinki, P.O. Box 62, FI-00014 University of Helsinki, Finland<sup>c</sup> University of West Georgia, 1601 Maple Street, Carrollton, GA 30118, USA<sup>d</sup> University of Eastern Finland, Business School, Kuopio Campus, Kuopio, Finland

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## ABSTRACT

Close collaboration in business-to-business relationships has been an interest of both researchers and managers; however, companies are often struggling to obtain the benefits of close collaboration with their customers. Our study examines the complexity of the sales situation from three perspectives 1) relational complexity, 2) complexity of internal sales tasks, and 3) vendor's cross-business unit collaboration, and its effect on the sales lead performance in a business-to-business context. We adopted a mixed methods approach; our data consists of interviews with sales personnel and a Customer Relationship Management (CRM) system data of 4000 sales leads from a large IT company that sells integrated solutions. Sales leads are classified into three categories: win, lost, and canceled. Based on multinomial logistic regression analysis, the results show that close collaboration with customers increases the probability of sales leads to be canceled. Our findings suggest that the selling approach focusing on close collaboration with the customers may not be a method to increase hit rates, due to possible high amount of canceled sales leads. This should be considered when salespeople's performance is measured in highly collaborative business-to-business environment. We conclude our paper with managerial and theoretical implications, and avenues for the further research.

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## 1. Introduction

Companies are trying to capture more value through collaborative business-to-business relationships (Tuli, Kohli, & Bharadwaj, 2007; Vargo & Lusch, 2011). However, research suggests that companies are struggling to obtain the benefits of close collaboration (Hancock, John, & Wojcik, 2005; Schmitz, 2013; Tuli et al., 2007). Our study fills the gap in business-to-business sales literature and builds a bridge between the salesperson-level and firm-level studies, which are largely isolated from each other in current literature (Guenzi, Pardo, & Georges, 2007), by empirically examining the effects of complexity of the sales situation (relationship complexity, complexity of internal tasks, and vendor's cross-business unit collaboration) on the sales lead performance in business-to-business context. Our focus is on selling integrated solutions. Our level of analysis is a single sales lead, the level on which salespeople operate on a daily basis. Success-driven sales research has generally neglected the dark-side of business-to-business relationships, sales failures (Anderson & Jap, 2005; Mitreǵa & Zolkiewski, 2012; Morris, LaForge, & Allen, 1994; Sullivan, Peterson, & Krishnan, 2012);

therefore, our analysis includes three types of sales leads: won, canceled, and lost.

Suppliers have to deepen their knowledge on how their offering can make a measurable impact on a customer's business (Möller, 2006; Ulaga, 2003). Customers on the other hand may have limited understanding of the business area in which the supplier specializes. Thus, customers are partially dependent on the supplier to diagnose problems (Aarikka-Stenroos & Jaakkola, 2012). As Möller (2006) states there is something paradoxical about the directional evolution of buyer–seller relationships; companies are seeing simultaneous narrowing in specialization and broadening in integration in terms of the set of competences required in the marketplace. Meanwhile, significant changes are occurring more frequently in vendors' internal processes; specifically value offerings are changing rapidly (Ingram, 2004). This leads to complex sales situations in business-to-business market. We define “complexity in the sales situations” as the sales force's need to understand the ever increasing amount of customer-specific information and to link that information with supplier's rapidly changing offerings (Ingram, 2004). Hunter and Goebel (2008) conclude that complexity in the sales situation, which leads to salesperson information overload, increases in a relationship-building environment, where business-to-business salespeople nowadays operate. Complexity in sales situations is found to decrease sales force performance (Hunter & Goebel, 2008; Morris et al., 1994).

\* Corresponding author at: University of West Georgia, 1601 Maple Street, Carrollton, GA 30118, USA. Tel.: +1 678 839 6318.

E-mail addresses: [tatu.virtanen@aalto.fi](mailto:tatu.virtanen@aalto.fi) (T. Virtanen), [petri.parvinen@helsinki.fi](mailto:petri.parvinen@helsinki.fi) (P. Parvinen), [mrollins@westga.edu](mailto:mrollins@westga.edu) (M. Rollins).

The consequences of complexity of the selling situation at the salesperson-level have received limited attention among sales researchers (Haas, Snehota, & Corsaro, 2012; Terho, Haas, Eggert, & Ulaga, 2012). One of the first studies focusing on sales failure, Ingram, Schwenker, and Hutson (1992), explored the factors contributing to salesperson failure. Their findings suggest six key reasons for salesperson failure: (1) poor listening skills, (2) failure to focus on top priorities, (3) a lack of sufficient effort, (4) inability to determine customer needs, (5) lack of planning for sales presentations and (6) inadequate product/service knowledge. Johnston, Hair, and Boles (1989) present similar findings as salespeople believe inadequate product knowledge is a significant factor contributing to failure. Mayo and Mallin (2010) measured personal characteristics and their effects on sales failure, and Dubinsky (1999) studied the responsibility and role of sales management teams in minimizing salesperson failure. Recently, Sullivan et al. (2012) empirically examined value creation with business-to-business customers and its effect on sales performance and noted that much can be learned by noting malfunctioning and unsuccessful value creation attempts, perhaps more so than successful ones (Sullivan et al., 2012).

We adopted a mixed method approach within a large, global business-to-business firm (later: a sponsoring company). We first conducted interviews with fourteen salespeople, then analyzed Customer Relationship Management (CRM) data over a three year period using the multinomial logistic regression analysis, and lastly, we discussed the results with two high level executives at the sponsoring company. The sponsoring company is a provider of integrated IT solutions. Integrated solutions are as the processes, in which a solution provider integrates goods, service and knowledge into unique combinations that solve customer-specific problems (Storbacka, 2011).

We contribute to the success-driven sales research by exploring the neglected dark side of selling, examining lost and canceled sales leads in addition to leads that were won (Mitrega & Zolkiewski, 2012). Our key finding is that when relational complexity and cross-business-unit collaboration are high, a number of sales leads are canceled instead of won or lost. Our findings suggest that close collaboration with the customer is not a way to increase hit rates, due to the high amount of canceled leads. We recommend that this should be taken into account when salespeople's performance is measured in highly collaborative business-to-business relationships.

This paper continues with a literature review on sales complexity and sales failure. We then present our *Research model and hypotheses*. The methodology section outlines the research design and data used in this study. The *Results* section describes the findings from a CRM data analysis and the *Discussion* section combines the interviews with salespeople from sponsoring company. In the final section, we draw our *Conclusions* on the topic with the avenues for future research in the area.

## 2. Research model and hypotheses

Fig. 1 illustrates our research model and hypotheses. We examined the complexity in business-to-business sales situations from three perspectives: (H1) relational complexity (Day, 2000; Möller & Törönen, 2003; Terho & Halinen, 2012), (H2) complexity of internal tasks, and (H3) vendor's cross-business-unit collaboration.

Sullivan et al. (2012) called for further research on factors influencing a firm's overall sales performance. For instance, sales performance can be measured from several perspectives, such as the amount of new customer leads, closing rates, customer retention, and revenue generation (Sullivan et al., 2012). Closing rates are often examined on a firm-wide basis, but the unit of analysis of our study is one individual sales lead, which brings the analysis to the level of everyday selling function. This is visualized with the hypothesized effects of complexity on sales performance in Fig. 2.

### 2.1. Relational complexity and sales lead performance

Three types of business relationships in business-to-business markets were first proposed by Day (2000) and redefined by Möller and Törönen (2003) and Terho and Halinen (2012). The spectrum of relationship includes three types: 1) collaborative, 2) value-added, and 3) transactional relationships. From the salesperson's perspective, need for information increases as the relationships move from transactional to collaborative. At the sales force level, Hunter and Goebel (2008) found that information overload leads to weaker sales performance. We argue that the more collaboration between supplier and customers, the more information there is to deal with. This leads us to the first hypothesis:

**H1.** More collaborative the relation with the customer is, more sales leads are canceled or/and lost.

### 2.2. Complexity of internal tasks and sales lead performance

Jones, Hesterly, and Borgatti (1997) define *task complexity* as the number of different specialized inputs needed to complete a product, a service, or a solution. We build on Jones et al.'s (1997) definition and define the *complexity of (salesperson's/team's) internal tasks* as the need to coordinate different activities in the selling phase. Steward, Walker, Hutt, and Kumar (2009) described solution salespeople as coordinators of expertise, as the needed knowledge is gathered from different organizational functions. Increasing complexity is also seen through the increasing amount of activities in sales; Marshall, Moncrief, and Lask (1999) identified 49 new sales activities when updating an earlier list of 121 activities by Moncrief (1986).

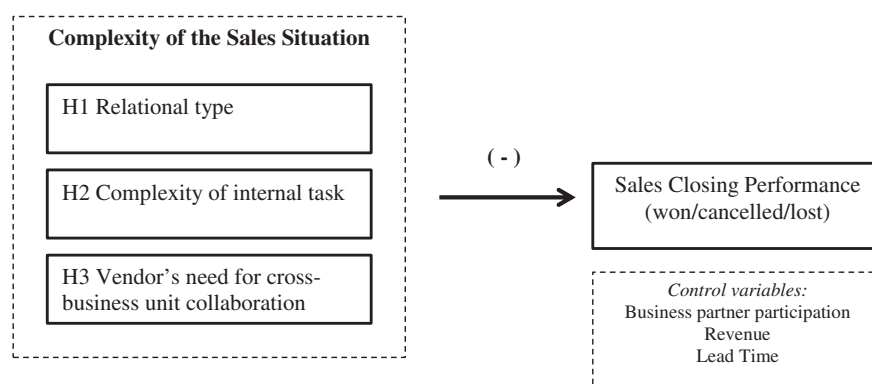


Fig. 1. Research model and hypotheses.

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