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Pricing superheroes: How a confident sales team can influence firm performance

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ABSTRACT

Despite strong evidence of substantial impact on the bottom line, most companies counter-intuitively neglect the pricing function – as do most scholars. Although pricing is gaining in popularity, only a few articles published in major marketing journals focus on it, and scholars have long asked how organizational and behavioral characteristics of firms affect the link between pricing practices and firm performance. To address these practical and theoretical deficits, we surveyed 507 professionals involved in account and sales management at business-to-business (B2B) firms from around the world to measure the influence of five organizational factors on sales collective confidence associated with pricing and relative firm performance. Results demonstrate that four of the five factors (pricing capabilities, delegation of pricing authority, incentive and goal systems, and knowledge before negotiation) positively and significantly influence sales collective confidence associated with pricing. In turn, we find collective confidence in the sales force to be significantly and positively related to relative firm performance, suggesting that firms that are able to design organizations and allocate resources in a way that maximizes pricing confidence can achieve superior financial outcomes. In aggregate, these organizational factors promote competitive advantage and comparative firm performance.

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1. Introduction

Numerous studies contend that pricing has a substantial and immediate effect on company profitability: small variations in price influence the bottom line by as much as 20% to 50% in both directions (Hinterhuber, 2004; Nagle & Holden, 2002). Pricing can have a significant impact on the profit performance of firms when managed with strategic intention (Liozu & Hinterhuber, 2013a).

But pricing is also a complex function for organizations to manage (Dolan & Simon, 1996; Lancioni, Schau, & Smith, 2005) and to operationalize, especially in the area of pricing execution when the sales force faces customers in the marketplace (Anderson, Kumar, & Narus, 2007). The publications related to the adoption of progressive pricing approaches by commercial teams point to difficulties in making customer value assessments (Hinterhuber, 2008a), to the complexity of value assessment tools available to the sales force (Anderson, Jain, & Chintagunta, 1993), to interdepartmental conflicts between sales, marketing, and finance (Lancioni et al., 2005), to the increased reluctance of purchasing managers to accept higher-priced offerings (Anderson, Wouters, & van Rossum, 2010), and to increased competitive intensity of markets (Ingenbleek, Debruyne, Frambach, & Verhallen, 2001) as impediments.

Historically, pricing has received little attention from either practitioners or marketing scholars (Hinterhuber, 2004, 2008a; Malhotra, 1996; Noble & Gruca, 1999). A review of 53 empirical pricing studies

concluded that pricing literature is highly descriptive and fragmented and that theoretical understanding of firm pricing decisions is limited (Ingenbleek, 2007). While recent pricing papers have highlighted the topics of pricing delegation (Frenzen, Hansen, Krafft, Mantrala, & Schmidt, 2010), pricing championing by top executives (Liozu & Hinterhuber, 2013c) and the organization of the pricing function (Homburg, Jensen, & Hahn, 2012; Liozu & Ecker, 2012), the focus of B2B pricing-related literature has moved towards the concepts of value creation and value capture in B2B market (Aspara & Tikkanen, 2013; Simmons, Palmer, & Truong, 2013), as well as the pricing of service (Indounas, 2009; Indounas & Avlonitis, 2011; Toncar, Alon, & Misati, 2010). Specific pricing literature remains scarce (Leone, Robinson, Bragge, & Somervuori, 2012) and is still relatively silent about how organizational and behavioral characteristics of firms may affect pricing execution and pricing effectiveness of the sales force. More specifically, no study directly investigates the construct of collective confidence in pricing from a sales-force perspective or the relationship between sales-force collective confidence in pricing and firm performance. To address this deficit, and supported by the results of a qualitative inquiry with 44 managers in 15 B2B firms in the United States (Liozu, 2013), we surveyed 507 account and commercial management professionals and leaders involved in managing pricing activities for their B2B organization.

Our survey objectives are to

- examine the drivers of sales collective confidence for pricing and its impact on perceived firm performance.
- create a bridge between the fields of pricing and organizational behavior by linking three critical factors – pricing capabilities,

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knowledge prior to pricing negotiation, and collective confidence associated with pricing – to relative firm performance.

- highlight that the purposeful design of organizational programs to boost the pricing confidence of account management teams may have a strong and positive impact on perceived firm performance.

2. Theoretical background and hypotheses

The development of our theoretical model draws from related streams of literature: industrial pricing, the resource-based view (RBV) of the firm, and organizational theory, particularly the literature on social cognitive theory, organizational structure, and incentive and goal systems. Pricing is a multi-disciplinary function, and we position our research paper at the nexus of three critical concepts: B2B pricing, collective confidence of commercial teams, and firm performance. The selection of variables constituting our hypothesized research model is shown in Fig. 1, which was guided by a qualitative inquiry conducted in 2011 (Liozu, Boland, Hinterhuber, & Perelli, 2011), by our literature review, and our extensive commercial practical experience. The model hypothesized that five variables act as potential antecedents of the collective confidence of commercial teams with regard to pricing. In other words, these five dependent variables play a critical role in the development of the level of perceived confidence as a team to deploy and execute pricing programs and actions. Additionally, our model hypothesizes a positive and significant relationship between sales collective confidence and relative firm performance. Finally, we posit that these relationships will vary based on the primary pricing orientation adopted by their firms (cost, competition, or customer value). Controls are linked to the two independent variables to evaluate their effects on the overall model.

2.1. Capabilities and resource-based view of the firm

The RBV of the firm is a well established theoretical perspective in strategic management that explains the performance of organizations

in terms of internal assets, resources, and capabilities. It explains and predicts why some firms are able to establish positions of sustainable competitive advantage leading to superior returns or economic rents, and it perceives the firm as a “unique bundle of resources and capabilities where the primary task of management is to maximize value” (Grant, 1996:110). Resources are generally rare, inimitable, and non-substitutable firm-specific assets that add value to firms' operations by enabling firms to implement strategies that improve efficiency and effectiveness (Barney, 1991). In contrast, capabilities refer to firms' abilities to perform a coordinated set of tasks, utilizing internal resources, to achieve desired outcomes (Helfat & Peteraf, 2003). Amit and Schoemaker (1993) split this general construct into two distinct concepts – resources and capabilities – defining the former as tradable and non-specific firm assets and the latter as non-tradable, firm-specific abilities to integrate, deploy, and utilize other resources within the firm. In this sense, resources are the inputs of production processes, whereas capabilities refer to the capacity to deploy resources using organization processes (Amit & Schoemaker, 1993). Capabilities are often developed in strategic, functional, and sub-functional areas by combining physical, human, and technological resources (Amit & Schoemaker, 1993). Although there is no predetermined functional relationship between a firm's resources and its capabilities (Grant, 1991), Makadok (2001) made a useful distinction: a resource is an observable but not necessarily tangible asset that can be independently valued and traded, whereas a capability is unobservable and hence necessarily intangible, cannot be independently valued, and changes hands only as part of its entire unit. Makadok (2001) further suggested that economic rents are created when firms are more effective than their rivals in selecting and deploying resources to build capabilities, and that resource-picking and capability-building are not necessarily independent but are complementary activities. The key characteristic of capability which separates it from resource is its organizational embeddedness, which suggests that capability cannot easily be bought from the external factor market, is embedded within the organization, and must be built or cultivated over time. Although resources by themselves can serve as a basic unit of analysis, firms build capabilities by assembling these resources into unique configurations, thereby transforming inputs

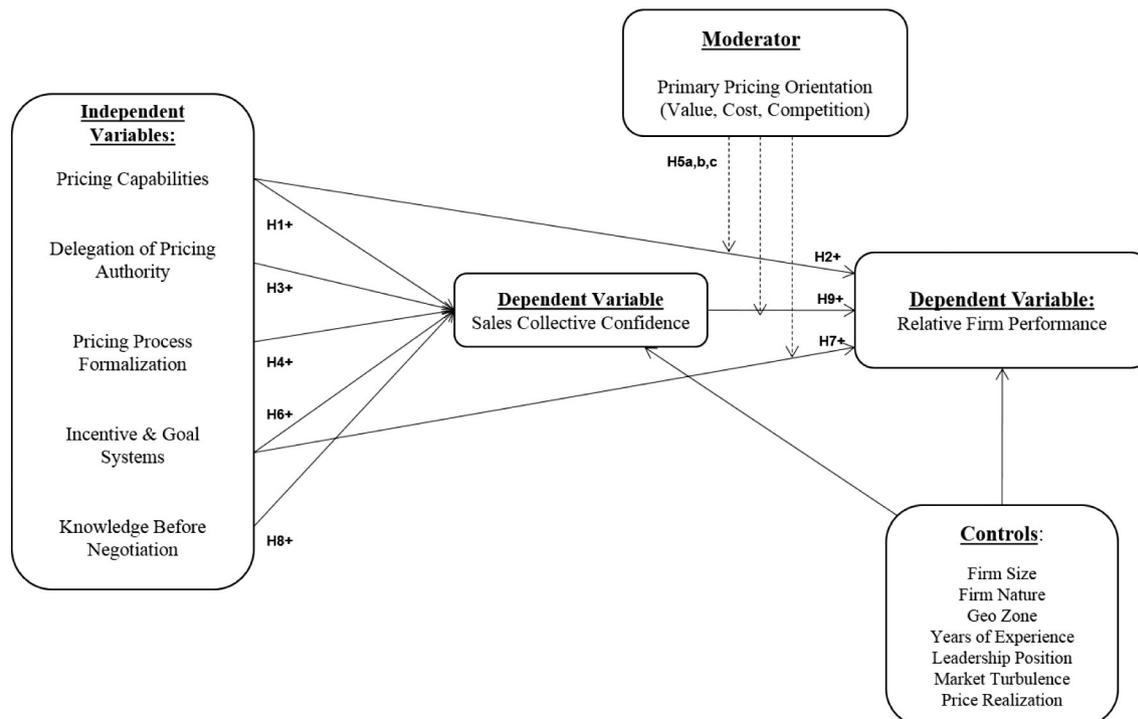


Fig. 1. Hypothesized research model.

into outputs of greater worth (Amit & Schoemaker, 1993). Capability-building refers to the ability of firms to build unique competencies that can leverage their resources (Teece, Pisano, & Shuen, 1997). Firms derive their competitive strengths from their “small number of capability clusters” (Dosi, Nelson, & Winter, 2000:125). Because organizations face increased complexity, they need to constantly reevaluate and repackage the required set of capabilities (Cohen & Levinthal, 1990), making them dynamic (Teece et al., 1997).

Dutta, Zbaracki, and Bergen (2003) published a seminal paper demonstrating the role of pricing capabilities, defined as a set of complex routines, skills, systems, know-how, coordination systems, and complementary assets, in increasing the performance of organizations. Pricing capability covers multiple dimensions: first, the internal price-setting capability (identifying competitor prices, setting pricing strategy, translating from pricing strategy to price); second, the price-setting capability when strategies and tactics are brought to market and to customers (convincing customers on price-change logic, negotiating price changes with major customers).

Previous studies on pricing capabilities found them to be positively related to firm performance (Berggren & Eek, 2007; Dutta, Bergen, Levy, Ritson, & Zbaracki, 2002; Dutta et al., 2003; Hallberg, 2008; Liozu & Hinterhuber, 2013a). Many organizations with a center-led team of pricing experts focus on diffusing pricing knowledge and capabilities across the organization and more specifically to commercial teams (Liozu et al., 2011). By doing so they contribute to the building of collective confidence and the sense of collective capability in the sales organization to execute pricing programs. When faced with a pricing decision or with the need to price a new product or service, decision makers do not have the luxury of choosing between a rational, analytic approach and an intuitive, emotional approach. They need to have the capabilities to reach a greater level of decision effectiveness and decision confidence (Dane & Pratt, 2007; Simon, 1987). This “balancing act” conducted by pricing experts can help decision makers narrow the decision range, create confidence in pricing activities, and remove uncertainty and ambiguity from the price-setting process.

Accordingly, we conjecture the following:

H1. Pricing capabilities have a positive effect on sales collective confidence when controlling for firm size, firm nature, firm geographical zone, respondent's years of experience, leadership position, market turbulences, and price realization.

The development of unique strategic pricing and selling capabilities and the deployment of strategic resources to grow these capabilities can lead to superior pricing decisions, greater organizational capital, and greater competitive advantage in the marketplace (Dutta et al., 2002). Firms with well-defined pricing practices using advanced pricing methods have a greater capacity to design and implement structured pricing training programs and to design pricing tools to assist in the decision-making process. The presence and development of these pricing capabilities, whether formal or informal (Dutta et al., 2003), generate greater collective confidence in pricing programs, decision-making rationality, and business performance when combined with other commercial capabilities (Vorhies & Morgan, 2005). Although the pricing and marketing literatures have not fully addressed the specific relationship between pricing capabilities and firm performance, some evidence in recently published papers point to a strong and positive relationship (Liozu & Hinterhuber, 2013a).

H2. Pricing capabilities have a positive effect on relative firm performance when controlling for firm size, firm nature, firm geographical zone, respondent's years of experience, leadership position, market turbulences, and price realization.

2.2. Organizational theory and the pricing function

Our work is guided by organization theory, which we take to include the internal structure of a firm and the relationships between its units and departments (Grant, 1996), as well as the flow of information within organizations that supports and influences decision-making processes (March, 1994, 1999; Simon, 1961). A critical question is how pricing decisions occur in organizations and what organizational factors influence processes and managerial judgment when decisions are made (Hinterhuber & Liozu, 2012; Ingenbleek, 2007; Ingenbleek & van der Lans, 2013). Previous work by leading behavioral and social researchers has covered many important aspects of organization theory. Below, we focus on the most relevant ones, including formalization as part of the organizational structure construct (Aiken, Bacharach, & French, 1980; Hall, 1977; Hall, Johnson, & Haas, 1967; Miller, Droge, & Toulouse, 1988), delegation of pricing authority (Frenzen et al., 2010), and firm orientation in pricing (Hinterhuber & Liozu, 2012; Ingenbleek, Frambach, & Verhallen, 2010).

2.2.1. Delegation of pricing authority

The question of the level of delegation of pricing authority to the sales organization is still ongoing. The question of delegation of pricing authority can be influenced by impactful exogenous factors (Homburg et al., 2012; Joseph, 2001). Like the centralization question of pricing, whether to delegate decision-making authority to the sales force is a difficult and emotional question that can have dire consequences if not managed well. The topic remains grossly under-researched. The sales function claims they hold the tactical knowledge of pricing and should be the one making final decisions (Lancioni et al., 2005). Top management and the finance function think the sales force should not hold the final responsibility for pricing under any conditions (Liozu et al., 2011). Under conditions of intense competition, firms prefer price delegation because prices set by their sales personnel are higher (Bhardwaj, 2001). In contrast to earlier literature (Stephenson, Cron, & Frazier, 1979), recent empirical work has identified a positive relationship between delegation of pricing authority and business unit performance (Frenzen et al., 2010). Further, delegating pricing authority can increase sales personnel motivation (Yuksel & Sutton-Brady, 2006). We hypothesize that a delegation of controlled authority to the sales force will positively influence their pricing confidence. The sales force cannot be perceived as having no authority in front of the customer, as this would greatly demotivate them and reduce their collective self-esteem (Bohn, 2001).

A recent qualitative inquiry revealed various degrees of authority levels associated with pricing and varying degree of formalization in the approval processes (Liozu, 2013). All firms interviewed did allow their sales personnel to have a certain “room to maneuver” when faced with pricing pressure in order to maintain face in front of customers and remain confident about their capabilities. Accordingly, we conjecture the following:

H3. Delegation of pricing authority has a positive effect on sales collective confidence when controlling for firm size, firm nature, firm geographical zone, respondent's years of experience, leadership position, market turbulences, and price realization.

2.2.2. Pricing-process formalization

Organizational structure, which can be variously defined and take myriad forms, relates to dimensions that cannot be reduced or deduced from properties of the organization's members (Aiken et al., 1980). Several reviews (Hall, 1977; John & Martin, 1984; Miller et al., 1988) have suggested that complexity (structural differentiation), formalization, and centralization are the most common and consistent characteristics of structure. For this paper, we focus on formalization and explore how the degree to which a firm is formalized signals the

perceived capabilities of its members in exercising judgment and self-control (Hall, 1977:95). Formalization involves control to ensure that members follow defined and standardized rules, roles, and procedures (Hage & Aiken, 1967; Hall, 1977; Hall et al., 1967) as well as instructions and communications (Pugh et al., 1963). We define formalization as an emphasis on following defined or standardized rules, roles, and procedures in conducting firm activities, making decisions, and implementing processes in a formalized way. The notion of control and routinization associated with process formalization has a negative connotation. However, we take the opposite position: well-documented, structured, and communicated rules, procedures, and instructions for firm activities, including those related to pricing, might increase the level of organizational commitment and confidence in executing these activities as well as provide a strong message about top leadership commitment (Workman, Homburg, & Jensen, 2003). Top management should avoid over- or under-specification of the formalized process that could lead to negative organizational consequences (Hall, 1977:112).

Therefore, it seems reasonable that pricing-process formalization positively reinforces the level of collective confidence, as it creates a structure for account and sales management professionals within which they can receive clear guidelines, objectives, and methods (Liozu et al., 2011). We posit that pricing-process formalization is required to a certain extent to give pricing decision makers a framework within which to operate.

H4. Pricing-process formalization has a positive effect on sales collective confidence when controlling for firm size, firm nature, firm geographical zone, respondent's years of experience, leadership position, market turbulences, and price realization.

2.2.3. Primary pricing orientation

Prior research uncovered stark contrasts between firms using the three pricing orientations (Hinterhuber, 2008b; Liozu & Hinterhuber, 2013a). Firms organized differently developed pricing capabilities varying in nature, intensity, and extent of collective confidence associated with pricing (Ingenbleek & van der Lans, 2013; Liozu et al., 2011). Therefore, we hypothesize that the “primary” pricing orientation adopted by the firms comprised in our sample will moderate the relationship between pricing capabilities and relative firm performance, between sales collective confidence and relative firm performance, and between incentive and goal systems and relative firm performance. Specifically, we postulate that firms using value-based pricing will exhibit higher levels of pricing capabilities (Liozu & Hinterhuber, 2013a), superior levels of collective confidence (Liozu et al., 2011), and incentives and goals systems geared towards profit and value creation (Anderson et al., 2007; Hinterhuber, 2008a).

H5a. Primary pricing orientation positively moderates the relationship between pricing capabilities and relative firm performance such that the relationship will be stronger for firms using value-based pricing than for firms using cost-based or competition-based pricing, when controlling for firm size, firm nature, firm geographical zone, respondent's years of experience, leadership position, market turbulences, and price realization.

H5b. Primary pricing orientation positively moderates the relationship between sales collective confidence and relative firm performance such that the relationship will be stronger for firms using value-based pricing than for firms using cost-based or competition-based pricing, when controlling for firm size, firm nature, firm geographical zone, respondent's years of experience, leadership position, market turbulences, and price realization.

H5c. Primary pricing orientation positively moderates the relationship between incentives and goals systems and relative firm performance

such that the relationship will be stronger for firms using value-based pricing than for firms using cost-based or competition-based pricing, when controlling for firm size, firm nature, firm geographical zone, respondent's years of experience, leadership position, market turbulences, and price realization.

2.3. Incentive and goal systems

Alignment of sales incentives prevents organizational conflicts and potential breakdowns in the pursuit of organizational goals (Hinterhuber, 2008a; Kerr, 1975). “Rewarding A while hoping for B” (Kerr, 1975:1) generates inadequate incentive structures and a potential failure of collaboration in the firm (Barnard & Andrews, 1968:139). Reward systems designed by management can serve either to “sharpen or to blunt their decisive effectiveness” (Walton & Dutton, 1969:75). Literature on pricing, and specifically on the adoption of value-based pricing, suggests that reward systems based on profitability need to be implemented across multiple departments of the firm (Hinterhuber, 2004, 2008a) to gain alignment across these departments and buy-in from sales organizations to embark on a value-selling transformation (Anderson et al., 2007). Performance-oriented goals – such as revenue, margin, or new customer acquisition targets – exercise a positive effect on sales personnel performance (Kohli, Shervani, & Challagalla, 1998; Weinberg, 1975). Sales personnel with a high-performance goal orientation attribute success largely, if not exclusively, to their ability (Silver, Dwyer, & Alford, 2006). Other findings also indicate that sales incentives are critical to successful pricing transformation (Liozu et al., 2011).

Sales incentives are critical to successful pricing transformation (Liozu, 2013). It is essential for sales and account management to be rewarded based on appropriate performance criteria and also to have “skin in the game” (Liozu & Hinterhuber, 2013b), as one respondent mentioned.

Therefore, supported by previous research on sales compensation (Homburg et al., 2012; Weinberg, 1975), we conjecture that well-aligned performance-oriented goals and incentives have two effects: on the one hand, they positively influence firm performance; on the other hand, they positively influence sales and account managers' collective confidence to manage pricing programs and reach pricing goals.

H6. Incentives and goal system have a positive effect on sales collective confidence when controlling for firm size, firm nature, firm geographical zone, respondent's years of experience, leadership position, market turbulences, and price realization.

H7. Incentives and goal systems have a positive effect on relative firm performance when controlling for firm size, firm nature, firm geographical zone, respondent's years of experience, leadership position, market turbulences, and price realization.

2.4. Knowledge before negotiation

Individuals differ widely in their negotiation abilities (Elfenbein, Curhan, Eisenkraft, Shirako, & Baccaro, 2008). A recent qualitative study showed that 4 of 15 firms in the sample conducted specific pricing and negotiation training with their sales force (Liozu et al., 2011) to improve the outcome of customer transactional interactions. Included in these training programs were critical dimensions related to the understanding of customer value elements prior to negotiation (such as incumbent's price, value position, and differential economic value). Selling on and negotiating for value is a process that requires preparation, chess-playing skills, and a capacity to outmaneuver the other side (Anderson et al., 2007). To achieve great results in negotiation and value selling, the seller must have a game plan and prepare a strategic playbook (Reilly, 2010b). That playbook needs to be ready and tested

long before the parties enter into price negotiations. Good preparation for negotiation should include the understanding of customers' negotiation tricks and traps (Holden, 2012), the knowledge of customers' prior buying and negotiation behaviors (Steinmetz & Brooks, 2010), the anticipation of standard pricing objections (Reilly, 2010a), and pushback the buyers will give on value estimation and the seller's value messages (Fox & Gregory, 2004). Supported by extant literature indicating that an individual's performance in negotiations is affected by his or her knowledge and level of preparation (Sebenius, 2001; Zoubir, 2003), we hypothesize the following:

H8. Knowledge before pricing negotiation has a positive effect on sales collective confidence when controlling for firm size, firm nature, firm geographical zone, respondent's years of experience, leadership position, market turbulences, and price realization.

2.5. Social cognitive theory

2.5.1. Self-efficacy

Social cognitive theory (Bandura, 1997) suggests that there are two main perceptions leading to an organization member's motivation to engage in teamwork activities and behaviors. These are related to the "individual's perception of his or her ability to perform generic teamwork behavior (self-efficacy) and perceptions regarding the team's possession of the resources required for completing the task (collective efficacy)" (Tasa, Taggar, & Seijts, 2007:3). Bandura (1986) submitted that self-efficacy can be influenced through positive emotional support, encouragement and positive persuasion, models of success with which people identify, and experience mastering a specific task (Conger, 1989; Gist, 1987).

The concept of self-efficacy in sales functions has been studied by many behavioral scientists. Self-efficacy can have both direct and indirect effects on sales force performance (Krishnan, Netemeyer, & Boles, 2002; Lee & Gillen, 1989) and on the ability of the sales force to adopt new concepts of tools (Avlonitis & Panagopoulos, 2005; Schillewaert, Ahearne, Frambach, & Moenaert, 2005). From a managerial perspective, sales managers can influence their individual sales representatives' behaviors, including job satisfaction and self-efficacy, by developing different leadership skills (Shoemaker, 1999). Other leadership dimensions are critical to developing the sales force's ability to learn and develop greater self-efficacy. They include job autonomy, customer demandingness, and trait competitiveness (Wang & Netemeyer, 2002) as well as empowerment of the sales force (Ahearne, Mathieu, & Rapp, 2005).

2.5.2. Collective efficacy

During the past decade, studies on self-efficacy have evolved to include the perspective of teams and organizations to support the hypothesis that self-efficacy alone is not enough to reach greater collective outcomes (Bohn, 2001). The growing interdependency of individuals in organizations (Gully, Incalcaterra, Joshi, & Beaubien, 2002) requires greater collective agency and action among them through shared beliefs with the intention of accomplishing greater organizational outcomes. Social cognitive theory widens the concept of human agency to collective agency (Bandura, 2000). People share beliefs in their "collective power" to produce desired results. Socially shared cognitions are placed into an organizational context where people work together to accomplish desired outcomes and ends (Bohn, 2001). Among the social cognitions that a firm's members have are beliefs about or perceptions of their organization's capabilities. Bandura (1997:476) posits that "an organization's beliefs about its efficacy to produce results is undoubtedly an important feature of its operative culture."

Self-efficacy is central to the motivational concept of human action in organizations. Self-efficacy may be defined as a generative capacity of one's resources and abilities to cope with a control situation (Bandura, 1997). Collective efficacy refers to the perception of groups,

and other social collections who perceive the capability of a group at the group level (Bohn, 2001). A meta-analysis conducted by Gully et al. (2002) showed that the relationship between collective efficacy and team performance is positive and significant, thus supporting social cognitive theory's claim that efficacy is "a primary determinant of the extent to which individuals or teams are likely to put the efforts required to perform successfully" (Bandura, 1986:392). This notion of effort is also supported by other authors. Confidence consists of "positive expectations" for favorable outcomes and tremendous potential results (Hoover & Valenti, 2005:244). It influences the individual member's willingness to invest money, reputation, and emotional energy to shape the ability to perform (Kanter, 2006:7).

In this paper, we use the term collective efficacy and collective confidence interchangeably and adopt Bohn's definition and properties of organizational efficacy as an organizational factor affecting the adoption of pricing approach:

Organizational efficacy is a generative capacity within an organization to cope effectively with the demands, challenges, stressors and opportunities it encounters within the business environment. It exists as an aggregated judgment of an organization's individual members about their (1) sense of collective capacities, (2) sense of mission or purpose, and (3) a sense of resilience. In its most basic form, organizational efficacy is a sense of "can do." (Bohn, 2001:39).

2.5.3. Collective efficacy and pricing

The adoption of modern pricing practices in firms coupled with the implementation of commercial programs focused on value strategies requires that managers design and implement people development programs to improve sales collective confidence. Such programs might include communication initiatives to foster shared beliefs about firm products and technology, coaching of commercial personnel to price and capture value with confidence (Anderson et al., 2007), and training of staff to generate greater courage to stand firm in the face of customers' pricing objections and be "superman for one second" when facing customers' objections (Hinterhuber & Liozu, 2012).

CEOs and top executives need to appreciate the criticality of developing these internal beliefs and implement specific programs and activities to boost collective confidence (Liozu et al., 2011). These shared beliefs in sales employees' "collective power" promote people working together, leading to the desired superior outcome (Bohn, 2001). Thus we conjecture the following:

H9. Sales collective confidence has a positive effect on relative firm performance when controlling for firm size, firm nature, firm geographical zone, respondent's years of experience, leadership position, market turbulences, and price realization.

3. Methods

3.1. Definition of the population

In 2011, we approached the Strategic Account Management Association (SAMA) about the possibility of surveying their membership on the topic of pricing confidence and firm performance. SAMA is a non-profit organization devoted to developing and promoting the concept of customer-supplier collaboration and the concept of commercial excellence among the account management function. The 8000 active members of the SAMA offered a wide representation of the business-to-business world, because of their focus on commercial excellence, their representation of both the manufacturing and the service sectors, and their global nature.

SAMA membership consists of medium to large organizations including Fortune 500 corporate organizations (over 60%). SAMA also consists of a number of member segments including heads of

strategic account management program organizations and other senior management/C-level executives who sponsor or lead strategic accounts (40%); strategic/national/global account managers (35%); support managers, HR/training & development and other functional specialists (i.e. marketing, industry, financial, IT, etc.) (16%); and strategic account and sales consultants, academics, and researchers (9%). We focused on the 5250 active account management professionals and leaders who are involved in the commercial process as well as potentially engaged in the pricing activities.

3.2. Description of respondent sample

We followed the total design method, a method developed to secure high response rates from general and special samples and considered the standard for surveys in the social sciences (Dillman & Groves, 2009), as well as focused on improving the reliability and validity of survey responses. The total design method is a systematic approach to crafting survey questions, designing survey implementation procedures, and optimizing delivery methods to a specific pool of potential respondents. We sent a cross-sectional self-administered electronic survey in June 2011 to 5,250 relevant members of SAMA. Responses were returned over a 6-week period. About 200 “bounced back” and were assumed not to have reached the intended recipients. Of the remaining 5000 surveys, 723 were returned partially or fully completed, indicating a response rate of 13.8%. We determined 507 to be usable for further analysis, for an overall effective response rate of 9.7%. This is consistent with response rates for large-scale surveys, which have response rates between 5% and 10% (Roth & Van Der Velda, 1991; Shah & Ward, 2003; Stock, Greis, & Kasarda, 2000), and for surveys targeted at large professional organizations whose members are not typically asked to participate in academic research. However, our overall effective response rate is below response rates commonly accepted in top scholarly journals (Harzing, 1997; Workman et al., 2003). Our further investigation of our effective sample size indicates that the length of the survey (15 to 20 min) influenced respondents' desire to complete the survey, as suggested by a drop-off rate of over 30% once the survey was started. The nature of the survey might also have somewhat influenced the response rate. SAMA management indicated that this was the first survey dedicated to pricing and that, generally speaking, pricing has never been

formally studied with the SAMA community. Nonetheless, our response rate is noted as one of our limitations later in this paper.

Our sample contains respondents from all continents, with those from North America representing the largest share (62%); in terms of firm size, respondents from firms with over 1000 employees account for the largest share of respondents (66%). Characteristics of the respondents are provided in Table 1.

Follow-up discussions with executives from SAMA indicated that the sample of respondents who took this survey were fairly consistent with the overall SAMA sample population when compared for main activity, leadership position, size, and, more specifically, considering the name of the firms selected to participate in the overall survey process. Our analysis of respondents' characteristics suggested a great level of diversity in our respondents, with no single firm having more than 10 responses. The diversity of firms that participated in the survey process indicates that we have an acceptable level of representation from the overall SAMA population. This information was qualitatively validated by SAMA membership management.

3.3. Measure development and assessment

We adapted most scales from the current literature with slight modifications to reflect our focus and developed a new scale to measure knowledge before negotiation and price realization. We developed new scales for pricing capabilities, for pricing realization, for incentive and goal systems, and for market turbulence. We then refined them through pretests and pilot testing using established item-development procedures and guidelines (Churchill, 1979).

Content validity was determined through a comprehensive review of the literature, pilot tests, and assessment by a group of pricing executives and scholars to make sure that measurement items were relevant to the theoretical scope related to the constructs (Churchill, 1979; Nunnally, 1978a). Next, a pilot test involving 150 professionals representing sales, commercial, business, and general manager functions from companies in both manufacturing and service industries provided 94 complete and usable responses. The survey was modified through a series of iteration to include all appropriate pilots and test results. The survey items are presented in the appendix.

3.3.1. Pricing capabilities

We developed a multiple-item scale in accordance with an operational definition as suggested by Kerlinger and Lee (1999: chap. 3) and by relying on our qualitative work and on extant research. We used 12 items ranging from 1 (*much worse than competitors*) to 7 (*much better than competitors*) to operationalize this scale.

3.3.2. Price realization

Since there was little empirical precedent to measure the degree of pricing realization or discipline in an organization, we also developed a multiple-item scale in accordance with an operational definition as suggested by Kerlinger and Lee (1999: chap. 3) and by relying on our fieldwork and on extant research. We used nine items ranging from 1 (*strongly disagree*) to 7 (*strongly agree*) to operationalize this scale. These items were then transformed into a high-versus-low categorical variable using the median split of the summated items.

3.3.3. Pricing orientation

To gauge a firm's pricing orientation, we adapted the scales developed by Ingenbleek, Debruyne, Frambach, and Verhallen (2003) to measure value-based pricing (VBP; 5 items), competition-based pricing (COB; 6 items), and cost-based pricing (CB; 5 items). Items were measured using a 7-point Likert scale anchored at the extremes by 1 (*not at all taken into account in price setting*) and 7 (*very much taken into account in price setting*).

Table 1
Sample characteristics (n = 507).

Main activity	Count	%
Manufacturing firm	306	60%
Service organization	166	33%
Distribution/retail company	30	6%
Not sure	5	1%
Firm size—employee number	Count	%
Less than 250	77	15%
251 to 500	42	8%
501 to 1000	48	9%
1001 to 10,000	138	27%
More than 10,000	197	39%
Not sure	5	1%
Position of leadership (Y/N)	Count	%
Yes	346	68%
No	153	30%
Missing	8	2%
Geography of respondent's location	Count	%
North America	314	62%
Latin America	13	3%
Europe	115	23%
Asia Pacific	41	8%
Middle East/Africa	16	3%
Not sure	8	2%
Total respondents	507	

3.3.4. Delegation of pricing authority

The five-item scale was adapted from existing measures from Frenzen et al. (2010). We used these items, ranging from 1 (*strongly disagree*) to 7 (*strongly agree*), to operationalize this scale.

3.3.5. Pricing-process formalization

Pricing-process formalization was measured by the formalization component of structure (Pugh, Hickson, Hinings, & Turner, 1968). Measures were created based on a similar method proposed in the Aston studies (Inkson, Pugh, & Hickson, 1970; Pugh et al., 1968). The scale was formed by a sum of the number of 'ticks' in a given list of eight bi-serial items characterizing the degree of formalization such that the higher the measure, the greater the firm's formalization.

3.3.6. Sales collective confidence

Sense of collective capability (4 items), sense of mission and future (4 items), and sense of resilience (4 items) were assessed using 7-point, Likert-type scales anchored with 'strongly agree' at the extreme positive end and 'strongly disagree' at the extreme negative end. The 12-item scale was adapted from existing measures from Bohn (2001).

3.3.7. Incentives and goal systems

We adapted the eight-item scale developed and validated by Behrman and Perreault (1982) that focused on targets used by firms to define salesperson performance compensation. The 7-point, Likert-type scale was anchored with 'strongly agree' at the extreme positive end and 'strongly disagree' at the extreme negative end.

3.3.8. Knowledge before negotiation

Since there was little empirical precedent to measure the degree of pricing preparation prior to negotiation, we also developed a multiple-item scale in accordance with an operational definition as suggested by Kerlinger and Lee (1999: chap. 3) and by relying on our fieldwork and on extant research. We used four items ranging from 1 (*strongly disagree*) to 7 (*strongly agree*) to operationalize this scale.

3.3.9. Market turbulences

We adapted and combined an eight-item scale developed and validated by Jaworski and Kohli (1993) and Santos-Vijande and Álvarez-González (2007). The 7-point, Likert-type scale was anchored with 'strongly agree' at the extreme positive end of the scale and 'strongly disagree' at the extreme negative end. These items were then transformed into a high, medium, and low categorical variable.

3.3.10. Firm performance

First, in line with previous research, we used a subjective assessment of firm performance (Ingenbleek, 2007; Morgan, Vorhies, & Mason, 2009; Simsek, 2007), following the convention of asking managers to compare their firm's relative performance with the performance of competitors on eight different dimensions for the past year (e.g., growth in sales, return on investment, return on sales) using a scale ranging from 1 (*much worse*) to 7 (*much better*) than competitors. Second, since firms in our sample were from a variety of geographical zones, a multidimensional measure based on perceptual firm performance facilitated comparisons across firms and contexts, such as across industries, time horizons, and economic conditions (Song, Droge, Hanvanich, & Calantone, 2005). Third, earlier studies showed that perceptual performance measures tend to be highly correlated with objective indicators, which supports their validity (Dess & Robinson, 1984). More recently, Kumar, Jones, Venkatesan, and Leone (2011) reported a high correlation (0.80) between subjective and objective data on firm performance.

3.3.11. Firm control variables

We controlled for a number of likely determinants of performance by including demographic characteristics of the firm, such as main activity (manufacturing, service, retail), size measured as the number of

employees (Amburgey & Rao, 1996), and geographical zone. Respondent's years of experience and leadership position were also included as controls in our model. Finally, we added controls related to price realization (low/medium/high) and market turbulences (low/medium/high) to complete our investigation.

3.4. Non-response bias

A commonly used method for estimating the bias in strategy research (Armstrong & Overton, 1977) is to compare early and late responses among the variables. The test assumed that late respondents were more similar to non-respondents than to their early counterparts. One-way analysis of variance (ANOVA) tests, performed at the item level, indicated no significant differences in data derived from early versus late responders, except on 4 of the 90 (4.4%) variables. Consequently, it appears that bias present from the time of response is due to chance and thus provided some assurance against non-response bias.

3.5. Common method bias

Surveys from a single set of respondents can introduce common method bias (CMB) into the data. Consequently, we took several steps to mitigate, detect, and control for CMB. We carefully constructed all survey items, and, wherever possible, used pretested, valid, multidimensional constructs (Huber & Power, 1985). We varied the scale anchors and format in the questionnaire, performed a series of scale-validation processes before distribution, and invited business professionals to rate the measures.

Several *post hoc* tests determined the extent to which CMB was present in our data. Using Harman's single-factor test, we entered all 39 items into an unrotated principal components factor analysis to determine the number of factors necessary to account for the variance in the variables. If a single factor emerged or a single general factor explained more than 50% of the variance between the independent and dependent variables, common method variance might be present (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). Our results indicated the presence of six potential factors (all with eigenvalues greater than 1) that explained a total of 53% of the variance. The first factor explained 31% of the variance. These results provide initial evidence that response bias does not appear to exist in the data (Podsakoff & Organ, 1986).

Next, we conducted a confirmatory factor analysis (CFA) based Harman's single-factor test in which we hypothesized a single common methods factor as causing all the indicators. The common methods factor extracted 32.9% of the variance. Additionally, an unrelated construct, a marker variable, revealed after the fact to have no relevant and significant correlation with other variables in the constructs, was added to the measurement model (Lindell & Whitney, 2001). Since we did not compute an unrelated construct a priori, we used a modified test with a weakly related construct scale composed of four unrelated items rejected during the exploratory factor analysis (EFA) process (Pavlou & Gefen, 2005). The marker variable extracted 9% of the variance.

We also examined multicollinearity and CMB with linear regression analysis on the study constructs and found low variance-inflation factors. Multicollinearity can be ruled out because no two predictor variables correlated more strongly than .70 (Hair, Black, & Anderson, 2010). Finally, we examined the correlation matrix and found no highly correlated factors (highest correlation is $r = .606$), whereas the presence of CMB should have resulted in extremely high correlations ($r > .90$). Based on these test results, shown in Table 2, multicollinearity is not present, and CMB does not appear to pose a problem with our analysis.

3.6. Measurement models

We conducted an EFA on the sample dataset using principal axis factoring with Promax rotation. For all but eight items, communalities

Table 2
Correlations of constructs.

Constructs	Pricing capabilities	Sales collective confidence	Relative performance	Delegation of pricing authority	Knowledge before negotiation	Incentive & goal systems
Pricing capabilities	0.55					
Sales collective confidence	0.606	0.53				
Relative performance	0.470	0.505	0.62			
Delegation of pricing authority	0.082	0.100	0.000	0.56		
Knowledge before negotiation	0.541	0.578	0.309	0.072	0.57	
Incentive & goal systems	0.425	0.412	0.173	0.140	0.388	0.49

Bolded values on the diagonal are the AVE's.

exceeded the minimal acceptable threshold of .50 (Hair et al., 2010). Additionally, both the Kaiser–Meyer–Olkin (KMO) value of .925 and Bartlett's Test of Sphericity ($\chi^2_{741df} = 11350.7$; $p = .000$), exceeded the acceptable threshold levels, indicating the appropriateness of the data for factor analysis. The EFA yielded six factors, consistent with our conceptual model as displayed in Table 3. Each item significantly loaded on its respective factor with a value greater than .40 and no cross-loadings of more than .20 (Hair et al., 2010; Igbaria, Ivarri, & Maragahh, 1995). The total variance explained by these six factors was 53%.

The final number of items represented by the six factors, after completion of the EFA, was 39. Additionally, the reliability of each of the final six factors was computed as shown in Table 3 and in most cases exceeds the minimum acceptable threshold of 0.70 (Nunnally, 1978b). Table 2 provides the correlations between the factors. All of the average variance extracted (AVE) values exceed the square of the correlation between the constructs, thus demonstrating discriminant validity.

We assessed the psychometric properties of the six factors derived from the EFA using a CFA to validate the factor structure. The measurement model was constructed incorporating each construct and the associated items. The model was further trimmed, and appropriate covariance relationships were added when theoretically justified (Byrne, 2009). The overall fit for the model is good: CMIN/DF = 1.780, CFI = .965, RMSEA = .039 (90% confidence interval 0.034–0.044), PCLOSE = 1.00. The composite reliability (CR) for each construct is provided in Table 4. The CR values exceed the acceptable threshold level (>0.70), and the AVE values confirm the reliability of the indicators and demonstrate convergent validity. For discriminant validity we show that for all constructs the maximum shared variance (MSV) and average shared variance (ASV) are less than the AVE (Fornell & Larcker, 1981).

We tested for metric and configural invariance to identify whether the factor structure is equivalent across different groups. The good model fit demonstrated configural invariance across the three types of pricing orientation and across regions. Further analysis of metric invariance suggested that groups were also invariant. We concluded that these groups are equivalent and adequate for further analysis.

4. Results

We tested our hypotheses using structural equation modeling (SEM). SEM was particularly relevant for this analysis as multiple associations can be uncovered, integrating observed and latent constructs in these associations, and because biasing effects of random measurement

error in the latent constructs (Medsker, Williams, & Holahan, 1994) can be accounted for.

The results are shown in Table 6. All hypothesized relationships are significant, except for H3, H8, H9. The fit indices for the final structural model (Table 5) shown in Fig. 2 indicate that this model reaches an acceptable goodness of fit:

First, pricing capabilities have a positive and significant impact on relative firm performance ($b = 0.381, p < .01$) and on sales collective confidence ($b = 0.304, p < .01$). Our findings support H1 and H2.

Second, the impact of delegation of pricing authority ($b = 0.053, p < 0.1$), incentive and goal systems ($b = 0.173, p < .01$), and knowledge before price negotiation ($b = 0.345, p < .01$) on sales collective confidence are all significant. However, pricing-process formalization does not have a positive and significant influence on sales collective confidence ($b = 0.012, p = 0.356$). These results provide support for H3, H6, and H8 but not H4, respectively. Third, sales collective confidence has a positive and significant influence on relative firm performance ($b = 0.415, p < .01$), validating H9. Finally, incentive and goal systems are found to be negatively and significantly related to relative firm performance ($b = -0.169, p < 0.01$). Since we hypothesize a positive relationship between these two variables, H7 is not supported. Overall, all but two of our eight direct-effect hypothesized relationships are supported.

Our analysis of moderation reveals that primary pricing orientation does not moderate the relationship between pricing capabilities and relative firm performance. This relationship remained positive and significant when firms adopted value, cost, or competition as their primary pricing orientation. H5a is not supported. Similarly, the relationship between sales collective confidence and relative firm performance remains positive and significant for all three pricing orientations. Thus H5b is also not supported. However, we find significant moderation for primary pricing orientation in the relationship between incentive and goal system and relative firm performance. For pricing orientation based on competition ($b = -0.248, p < 0.01$) and cost ($b = -0.181, p < 0.05$), incentive and goal systems are negatively and significantly related to relative firm performance. These results are not found for pricing orientation based on customer value ($b = -0.141, p = 0.073$). H5c is supported.

We control for nature of the firm, geographical region, years of experience of the respondents, size of the organization, and whether the respondent has a leadership position or not, as well as for price realization

Table 3
EFA measurement model.

Construct	No. of items	Loadings	Cronbach's alpha
Pricing capabilities	11	0.739;0.625;0.613;0.608;0.664;0.790;0.715;0.852;0.557;0.830;0.767	0.923
Sales collective confidence	9	0.660;0.803;0.618;0.776;0.756;0.845;0.607;0.641;0.625	0.904
Relative performance	7	0.589;0.620;0.566;0.619;0.756;0.970;0.817	0.875
Delegation of pricing authority	4	0.745;0.618;0.743;0.863	0.826
Knowledge before negotiation	4	0.759;0.672;0.683;0.695	0.839
Incentive & goal systems	4	0.556;0.612;0.600;0.556	0.739

Table 4
Construct reliability and validity results.

Constructs	Cronbach's alpha	CR	AVE	MSV	ASV
Pricing capabilities	0.923	0.91	0.55	0.37	0.24
Firm performance	0.875	0.86	0.62	0.27	0.14
Sales collective confidence	0.904	0.90	0.53	0.38	0.26
Delegation of pricing authority	0.826	0.83	0.56	0.02	0.01
Knowledge before negotiation	0.839	0.84	0.57	0.38	0.21
Incentive & goal systems	0.739	0.73	0.49	0.25	0.16

and market turbulence levels. Table 7 shows the relationship of the control variables to the dependent variables.

We find that pricing realization category (high versus low) has a significant influence on sales collective confidence ($b = 0.096$, $p < 0.1$) but not on relative firm performance ($b = -0.017$, $p = 0.784$). Similarly, market turbulence category (low, medium, and high) has a negative and significant influence on relative firm performance ($b = -0.104$, $p < 0.01$) but not on sales collective confidence ($b = -0.034$, $p = 0.246$).

5. Discussion

The findings of our research study offer several potential theoretical and managerial implications.

5.1. Theoretical implications

Confidence is a “can do” attitude that can make or break change programs in organizations (Bohn, 2001). Confidence in pricing is an essential organizational characteristic that allows teams to take on tough challenges, transform their sales and pricing practices (Liozu et al., 2011), and show resilience in the face of potential customer rejection (Hinterhuber & Liozu, 2012). This study improves our understanding of what drives sales collective confidence for pricing and whether firms might design specific organizational elements to affect their pricing confidence and achieve superior relative performance. Our results support the proposition that a unique organizational design for the pricing function (emphasizing capabilities, confidence, and knowledge) leads to greater relative firm performance. Our ability to statistically link these organizational characteristics to firm performance is an important contribution to knowledge about pricing. Our findings are unique in that prior research had not linked the construct of sales collective confidence to pricing and subsequently to firm performance. Our findings also elaborate on the findings of previous studies related to pricing (Ingenbleek, 2007) and offer four substantive contributions.

First, our results demonstrate the need for firms to raise the profile of their pricing function and to intentionally adopt pricing strategies that may increase internal organizational efficacy. The role of executives in the corporate suite is essential to the design and sustainable implementation of a pricing orientation (Liozu & Hinterhuber, 2013c). Top executives will need to pay more attention to pricing, develop a pricing vision, and create a distinctive organizational architecture for pricing. By investing in the development of pricing capabilities that generate a sustainable and inimitable competitive advantage (Dierickx & Cool, 1989;

Table 5
Fit statistics.

Model fit measures	Threshold	Structural model	References
Chi-square/Df		5.906/5	
p-Value	<0.05	0.315	Non-significant
CMIN/DF	<2	1.181	Tabachnick and Fidell (2007)
PCFI	>0.5	0.139	Hu and Bentler (1999)
CFI	>0.95	0.999	Hu and Bentler (1999)
RMSEA	<0.06	0.019	Hu and Bentler (1999)
Pclose	>0.5	0.82	Jöreskog and Sörbon (1993)

Dutta et al., 2003), champions of pricing forge a shared vision, a collective “can do” mentality, and a sense of collective resilience in the sales team that lead to superior levels of organizational efficacy (Bohn, 2001) and superior outcomes.

Second, our results support a resource-based theory of the firm in that pricing capabilities positively and significantly influence firm performance vis-à-vis competition. Marketing capabilities have been the subject of dozens of academic research studies. Many of them show a positive link between pricing capabilities – a sub-dimension of marketing capabilities – and firm performance (Morgan et al., 2009; Vorhies & Morgan, 2005). However, these studies measured pricing capabilities as part of a much wider set of marketing capabilities. In other studies, pricing capabilities were investigated using case study or qualitative – but not quantitative – research methods. Our inquiry is unique in providing a robust pricing capability construct that can be used in future studies, as well as a causal model linking pricing capabilities to relative firm performance.

Last, and in aggregate, our findings show that the five organizational and behavioral elements we identified as being related to pricing (four antecedents and sales collective confidence) can create a competitive capability which in turn leads to better firm performance. Our findings suggest that the importance of organizational behaviors in the marketing and pricing literature has been underestimated and that multi-disciplinary research may be needed to further investigate the relationships.

5.2. Managerial implications

Our findings suggest that leaders in firms who design purposeful strategies and programs to boost collective confidence in their sales and account management teams can achieve significantly greater firm performance. The unique combination of the organizational elements related to pricing explored in our research (capabilities, delegation of pricing authority, incentive and goal systems, and knowledge before negotiation) might be able to create a higher level of comfort and confidence in the pricing function and pricing activities for those in account management roles. Previous research on pricing has suggested that it is a very complex function (Dolan & Simon, 1996) that is subject to internal conflicts and tensions (Lancioni et al., 2005). Establishing a confident climate for sales and account management to address this complexity might lead to greater performance outcomes. Therefore, we conjecture that the development and the deployment of unique intellectual capital in pricing (Dutta et al., 2002), also characterized as “brain ware” (Liebowitz, 2000:1), throughout the organization, creates superior pricing intelligence that leads to superior firm performance.

Our study reveals that increasing the level of pricing-process formalization does not necessarily increase the confidence of sales and account management professionals who deal with pricing. We expected that there would be a positive relationship between these two constructs, and that process formalization would lead to a greater degree of adoption by sales and account professionals. There is a belief in many organizations that process orientation leads to greater compliance and superior performance. This hypothesized relationship was not supported by our findings and might need further investigation.

Last, our research findings suggest that commercial leaders and top executives should focus more on the notion of collective confidence when designing organizational development and people management programs. Traditional programs are focused on the development of the individual efficacy and self-esteem levels of individual sales professionals. Another approach might integrate programs and activities to boost collective confidence of account management teams. These programs might include specific incentive and reward programs, unique training and coaching sessions, compelling communication tactics to celebrate wins and promote success stories, and charismatic leadership from the C-suite, as suggested by our qualitative findings.

Table 6
Results of hypothesis testing.

Hyp	Hypothesized paths	Regression estimates	Standardized estimate	Critical ratio	Hypothesis supported
H1	Pricing capabilities to sales collective confidence	0.237	0.304***	0.033	Yes
H2	Pricing capabilities to relative firm performance	0.318	0.381***	7.990	Yes
H3	Delegation of pricing authority to sales collective confidence	0.029	0.053*	1.805	Yes
H4	Pricing process formalization to sales collective confidence	0.005	0.012 (ns)	0.356	No
H6	Incentive & goal systems to sales collective confidence	0.136	0.173***	4.665	Yes
H7	Incentive & goal systems to relative firm performance (+)	-0.143	-0.169***	-3.840	No
H8	Knowledge before price negotiation to sales collective confidence	0.335	0.345***	7.255	Yes
H9	Sales collective confidence to relative firm performance	0.446	0.415***	8.607	Yes
H5a	Primary pricing orientation moderates pricing capabilities to firm performance		Value = 0.265*** Cost = 0.400*** Competition = 0.458***		No
H5b	Primary pricing orientation moderates sales collective confidence to firm performance		Value = 0.373*** Cost = 0.403*** Competition = 0.472***		No
H5c	Primary pricing orientation moderates incentive & goal systems to firm performance		Value = -0.142 (ns) Cost = -0.181** Competition = -0.248***		Yes
	R square relative firm performance	0.417			
	R square organizational confidence	0.583			

*** p < 0.01.
** p < 0.05.
* p < 0.1.

6. Limitations and future research

We explore a topic that has previously received little attention in either practitioner or scholarly literature. Five potential limitations of our work should be acknowledged.

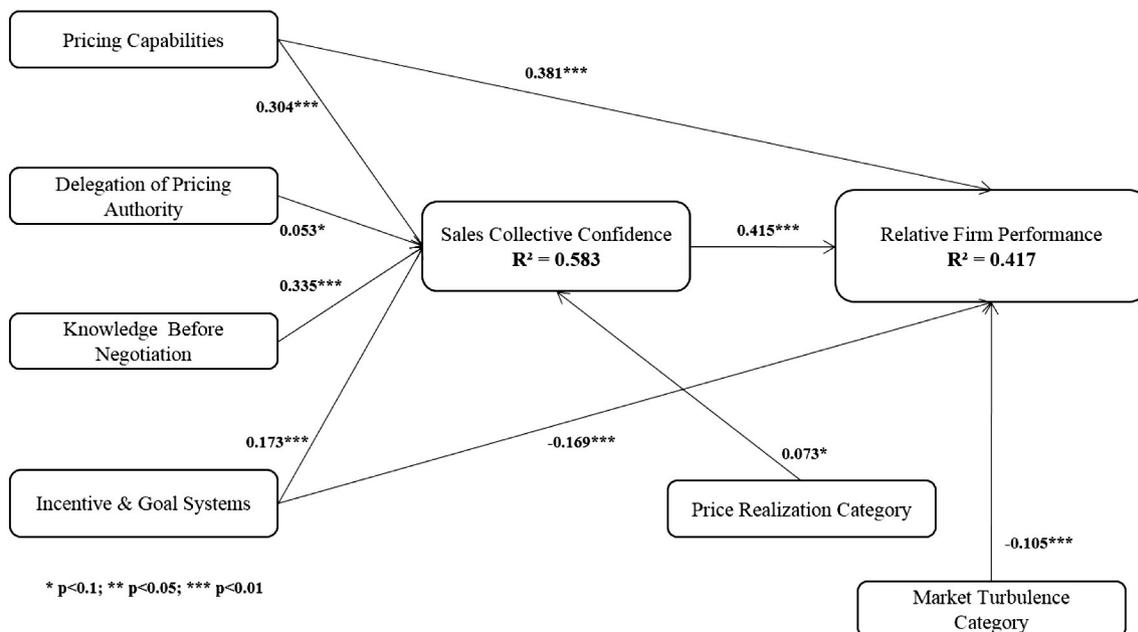
The first is causality. Our quantitative survey uncovers some interesting and significant relationships between potential antecedents of sales collective confidence in pricing, sales collective confidence in pricing itself, and relative firm performance. We base our hypothesized model on previous inquiry in the field of pricing and on practitioners' work in the area of sales force management. Nevertheless, this survey is cross-sectional, and we cannot rule out reverse causality due to lack of longitudinal performance data to show performance improvements.

Second, the performance measures we used are perceptual and not objective in nature. However, perceptual or subjective data used on quantitative surveys to gauge firm performance has recently been advocated and accepted in the strategic management literature (Dess & Robinson, 1984).

Third, our respondents included a large number of SAMA member firms but may not necessarily be representative of all firms conducting account and sales management activities with respect to their management of their pricing process. It is also possible that SAMA members do not represent the "typical" B2B sales profile because of their level of experience and the size of the organization's membership.

Fourth, because our survey was self-administered, results may not reflect what respondents actually do when managing the pricing process. Babbie (2007:276) said, "Surveys cannot measure social action: they can only collect self-reports of recalled past action or of prospective or hypothetical action." In other words, there might be organizational and behavioral dynamics that affect the pricing process and how pricing decisions are made in firms. In order to understand these factors, it might be useful to complement these results with observations in the field and additional qualitative research.

Finally, no statistical test can assure a bias-free analysis (Podsakoff et al., 2003). We made a purposeful effort to minimize CMB. Still, it would have been preferable to include multiple respondents from



* p < 0.1; ** p < 0.05; *** p < 0.01

Fig. 2. Structural model.

Table 7
Controls.

Controls	Dependent variables	Standardized estimates	P value
Nature	Relative firm performance	−0.190	0.574
Nature	Sales collective confidence	0.033	0.265
Geozone	Relative firm performance	−0.041	0.241
Geozone	Sales collective confidence	−0.039	0.18
Years of experience	Relative firm performance	0.020	0.563
Years of experience	Sales collective confidence	0.025	0.39
Size	Relative firm performance	−0.002	0.954
Size	Sales collective confidence	−0.031	0.295
Leadership (Y/N)	Relative firm performance	−0.033	0.353
Leadership (Y/N)	Sales collective confidence	−0.230	0.432
Pricing realization category	Relative firm performance	−0.017	0.784
Pricing realization category	Sales collective confidence	0.096	0.075*
Market turbulence category	Relative firm performance	−0.104	0.002***
Market turbulence category	Sales collective confidence	−0.034	0.246**

*** p < 0.01.

** p < 0.05.

* p < 0.1.

each participating company and to use different objective measures for the dependent variables. Recognizing the difficulties of this, we used an “informed observer” approach to best reflect firm behavior.

Recognizing these limitations, we invite behavioral and social researchers as well as pricing scholars to continue the research work in the area of collective confidence among sales and account management teams, and to extend the research agenda to the organization itself. There has been much research on charismatic and transformational leadership and how these influence firm performance. Linking these concepts to organizational confidence can shed light on how teams and organizations develop a greater sense of collective power and energy to lead their organizations through difficult technology deployments, cultural changes, and challenging growth programs.

Appendix A. Survey items labels

<i>Items</i>	<i>Pricing capabilities</i>
PC1	Using pricing skills and systems to respond quickly to market changes
PC2	Knowledge of competitors' pricing tactics
PC3	Doing an effective job of pricing products/services
PC4	Monitoring competitors prices and price changes
PC5	Sticking to price list and minimizing discounts
PC6	Quantifying customers' willingness to pay
PC7	Measuring and quantifying differential economic value versus competition
PC8	Measuring and estimating price elasticity for products/services
PC9	Designing proprietary tools to support pricing decisions
PC10	Conducting value-in-use analysis or Total Cost of Ownership
PC11	Designing and conducting specific pricing training programs
PC12	Developing proprietary internal price management process
<i>Items</i>	<i>Relative performance</i>
RP1	Acquisition of new customers
RP2	Increase of sales to current customers
RP3	Growth in total sales revenues
RP4	Absolute price levels
RP5	Pricing power in the market
RP6	Business Unit profitability
RP7	Return on sales (ROS)
RP8	Return on investment (ROI)
<i>Items</i>	<i>Knowledge before negotiation</i>
PR10	Before we negotiate, we know the competitive product/service that the customer views as better than ours
PR11	Before we negotiate, we know the price level of the customer's current product/service
PR12	Before we negotiate, we know the differentiated value of our vs. the customer's current product/service
PR13	Before we negotiate, we know the financial benefit (“dollar value”) of our vs. the customer's current product/service

<i>Items</i>	<i>Incentive & goal systems</i>
IGS1	Increase market share by acquiring new customers
IGS2	Increase gross dollar sales
IGS3	Sell customer on products with the highest profit margins
IGS4	Identify and sell to major accounts
IGS5	Exceed sales targets and objectives during the year
IGS6	Support voice-of-the-customer activities
IGS7	Identify customer value information
IGS8	Increase sales volume

<i>Items</i>	<i>Sales collective confidence</i>
OC1	We can take on any challenge
OC2	Because our departments work together well, we can beat our competition
OC3	We are more innovative than most organizations I have worked in
OC4	Everyone works together effectively
OC5	People here have a sense of purpose to accomplish something
OC6	We have a strong vision of the future
OC7	We are very certain about what we will accomplish together as a company
OC8	We are confident about our future
OC9	We believe in the value of our products/services
OC10	We have the necessary courage to stand firm to customers' pricing objections
OC11	We have the necessary courage to implement difficult price changes in the market
OC12	We have a strong sense of resilience with pricing

<i>Items</i>	<i>Delegation of pricing authority</i>
DPA1	Our sales people have the authority to set prices and discounts for all customers
DPA2	Our sales people have the authority to set prices for some customers
DPA3	Our sales people have more authority than our competitors to set prices and discounts
DPA4	Our sales people are authorized to reduce prices only after consulting with a superior
DPA5	All our sales people are provided with pricing authority

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