Do Retailers Really Profit from Ambidextrous Managers? The Impact of Frontline Mechanisms on New and Existing Product Selling Performance

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Biographical sketches

Michel van der Borgh is Assistant Professor of Marketing at Eindhoven University of Technology, The Netherlands, where he also received his PhD. His research focuses on marketing and new product development, in particular the role of sales and frontline employees in selling, servicing and providing feedback for new products. His work has been published in R&D Management.

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Running title

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Abstract

When manufacturers introduce a new product to the market, downstream retail partners are faced with inherent trade-offs. Retail sales personnel has to support the new product’s introduction with substantial sales efforts, but also sell the existing products in stock, before storage and devaluation costs spin out of control. This study shows how retail sales managers can guide sales personnel’s performance of new and existing product selling, respectively. The authors argue that a manager may prioritize selling new products, existing products, or both (i.e., have an ambidextrous selling orientation). Based on data gathered from sales representatives and company databases of a large European consumer electronics retailer, the authors perform a time-lagged partial least squares analysis to empirically test their conceptual model. The authors find that ambidextrous sales managers outperform their singular-oriented counterparts if they properly align their orientation with a frontline management mechanism consisting of task autonomy, performance feedback, and employee age. More specifically, ambidextrous managers promote net profit obtainment if they grant their sales employees task autonomy and give little performance feedback. In addition, a remarkable finding is that more aged sales agents tend to outperform their younger counterparts when working under an ambidextrous manager. The authors discuss the implications of these findings.

Keywords: new product selling, autonomy, manager orientation, time-lagged, PLS
Introduction

Many modern-day retailers feel an increasing pressure to adopt and sell new and innovative products to their customers. Not only are customers eager to buy newer products, also upstream players such as manufacturers often provide new product selling incentives to retailers to increase its probability of market success (e.g., Desiraju, 2001, Rao and Mahi, 2003). These incentives may be direct (e.g., a premium on new products sold, slotting allowances) or indirect (e.g., inform customers through a marketing campaign) and make selling new products an attractive proposition for retailers. However, retailers also need to sell their stock of existing products rapidly, as these items take up storage space and quickly devaluate upon new product introductions (Tsay, 2001). For instance, in the digital camera market, some models have witnessed a price slip of nearly 60% from introduction to model discontinuation, which took just over one year (4/3Rumors, 2011). This leaves sales managers in retail stores with a challenge to combine the competing objectives of new and existing product selling such that they can profit from both activities.

Despite the growing interest in the area of new product selling, few studies provide insights on how managers can motivate their sales force to balance the sales of new and existing products. While ample research has been conducted to identify the drivers of overall sales performance (Verbeke et al., 2011), and predictors of selling intentions of new-to-market products versus line extensions have been compared (Fu et al., 2010), it remains virtually unexplored how salespeople can be guided to specifically sell new and existing products (Zablah et al., 2012). Nevertheless, as retail sales managers need to make decisions on where to allocate their resources, it is imperative they have insight into the underlying mechanisms that influence employees’ selling choices. Therefore, the purpose of this study is to delineate management mechanisms to direct a salesperson’s performance in selling new or
existing products in such a way that his/her contribution to the firm’s net profit can be optimized. In doing so, we make the following contributions to literature.

First, while previous sales research has explored how formal control systems may influence salespeople’s behavior (e.g., Baldauf et al., 2005, Evans et al., 2007), empirical results suggest that particularly a manager’s selling orientation, or prioritization of strategic selling goals, is a key determinant of sales personnel performance (Arnold et al., 2009, Marinova et al., 2008, Wieseke et al., 2008). We posit that managers can be oriented toward selling new products, existing products, or both by having an ambidextrous selling orientation. Research in the organizational learning field mainly advances positive effects of an ambidextrous orientation (e.g., Gibson and Birkinshaw, 2004, He and Wong, 2004), while research in the marketing domain mainly indicates its negative effects (e.g., Marinova, Ye and Singh, 2008). We investigate whether a manager’s ambidextrous selling orientation facilitates or hinders sales performance and how it impacts net profit.

Second, although different literature streams disagree the outcomes of an ambidextrous focus, they agree on the importance of autonomy in work processes. Task autonomy enables individuals to deal with tasks that may be difficult to combine, such as the sale of new and existing products. Therefore, we extend insights from extant research streams to the sales environment and propose a mediating role of employee task autonomy between a manager’s selling orientation and an individual’s sales performance. In other words, autonomy may be a consequence of a manager’s strategic orientation (Eisenhardt, 1989, Marinova, Ye and Singh, 2008), but also impact an employee’s new and existing product selling performance.

Finally, we posit that not every employee is equally proficient in dealing with the high levels of task autonomy when balancing the tasks of selling new and existing products. As such, we investigate the moderating roles of manager performance feedback and employee age on the task autonomy-performance relationship. Manager performance feedback is an
important mechanism for managers to complement their control strategy and a key motivator for employees to engage in tasks they are not naturally inclined to do (Atuahene-Gima (1997). It may therefore be used to guide employees to sell either new or existing products under high levels of autonomy. In addition, it has been reported that older employees have different motivators in their work and therefore, under autonomous work conditions, direct their efforts differently (Fu, 2009). Given that the retail workforce is aging (Foster and Resnick, 2011), managers need to understand the role of age in sales agents’ performance outcomes.

Figure 1 provides an overview of our conceptual framework.

== Insert Figure 1 about here ==

Literature Review

New and Existing Product Selling

Recent studies indicate that a new product’s market success largely depends on sales force actions. For instance, Fu et al. (2010) show that salespersons’ intentions to sell new products positively relate to the growth rate of their new product sales. Similarly, Ahearne et al. (2010) show that the amount of effort expended on selling a new product is beneficial to customer product perceptions and sales of the product. Further research considers factors that foster or hinder a salesperson’s new product selling activities, such as control systems, supervisor trust, and subjective norms (Ahearne, Rapp, Hughes and Jindal, 2010, Atuahene-Gima and Li, 2002, Fu, Richards, Hughes and Jones, 2010). Other scholars have assumed that salespeople prefer the sale of proven sellers over new and innovative products (e.g., Atuahene-Gima, 1997, Wieseke, Homburg and Lee, 2008) and compared selling intentions of new-to-the-market products with intentions to sell line extensions (Fu, Richards, Hughes and Jones, 2010). However, in-depth insight in the management of trade-offs in selling new versus
existing products does not currently exist (see Zablah, Chonko, Bettencourt, Allen and Haas, 2012).

**Trade-offs for Retail Sales Personnel**

New and existing product selling differ in terms of selling approach, risk, and profit obtainment (Atuahene-Gima, 1997). The two may be conflicting activities, because a customer often will buy only one product within a product category per sales encounter. This could be the new or the existing product. When taking into account a series of customer encounters, the trade-off may be less evident, because a salesperson can decide to push alternatively new or existing products and achieve the selling goals for both types of products. However, trade-offs across encounters may still occur when they originate from managerial demands. When a manager emphasizes selling new or existing products, employees are expected to follow managerial preferences, thereby potentially mismatching customer needs and product features. Tensions of this kind are amplified or dampened by a firm’s frontline mechanism: the specific design of task autonomy, manager performance feedback, and employee age that aims to direct employee behavior towards desired goals (Marinova, Ye and Singh, 2008).

**Management of Sales Personnel**

Scholars in sales literature have predominantly focused on how sales managers can motivate employees to perform a task. For instance, leadership styles such as transformational leadership (Panagopoulos and Avlonitis, 2010), empowering leadership (Rapp et al., 2010), and role modeling (Rich, 1997) have been considered to motivate employees. Ample organizational support and resources makes employees develop a commitment towards their leader and organization, which benefits their performance (Rich, 1997). Unfortunately, these leadership concepts do not account for tasks that are in trade-off and leave another route to sales performance unexplored: workers may comply with managerial guidelines in hope of
more favorable evaluations (Fu, Richards, Hughes and Jones, 2010, Wieseke, Homburg and Lee, 2008). To uncover any compliance effect though, a leadership concept needs to be directional and task-oriented, rather than motivational only.

To assess the motivational and compliance routes to new and existing product selling, we build on the concept of *managerial selling orientations*. Selling orientations reflect a manager’s prioritization of strategic selling goals and determine how the sales force’s work environment is designed (Eisenhardt, 1989, Marinova, Ye and Singh, 2008). They thus capture managerial practices, actions, and directives that guide employee efforts toward desired goals (Hambrick and Mason, 1984). To define our orientations of interest, we translate insights from the organizational learning field on exploration and exploitation (He and Wong, 2004, March, 1991) to the individual level. New product selling is associated with the exploration of new activities, long-term payoffs from selling activities, a higher willingness to take risk, and the acceptance of uncertainty. Selling existing products, on the other hand, represents an exploitation of current activities and is associated with the achievement of short-term goals, idealizing the status quo situation, and sure benefits. We define a sales manager’s new (existing) product selling orientation as managerial practices, actions, and directives that guide employees’ attention, time, and effort towards the sale of new (existing) products in the firm’s product portfolio. Employees interpret managerial orientations through an iterative process of receiving managerial inputs, acting upon managerial demands, and adjusting their behavior due to managerial feedback (Schneider et al., 2003). Thus, employee perceptions are useful when examining the impact of managerial orientations on subordinates’ performance outcomes (Marinova, Ye and Singh, 2008).

Exploration and exploitation are distinct, non-substitutable, and interdependent, making it paramount for firms and managers to find ways to achieve synergy and carry out both (Gibson and Birkinshaw, 2004, Levinthal and March, 1993). Combining these two activities
is defined as an ambidextrous strategy. A sales manager with an ambidextrous selling orientation focuses on bridging the potentially contradicting activities of new and existing product selling (cf. Marinova, Ye and Singh, 2008). In other words, he or she wants sales personnel to search for the common ground in selling new and existing products and try to do both. We take these selling orientations as the basis for our conceptual model, which we define next.

**Hypotheses Development**

*Salesperson Performance and Profit*

To make decisions to guide employees to sell new products, existing products, or both, retail sales managers need to know how an employee’s performance in each product category contributes to the store’s net profit. Previous work has defined “performance” as sales volume, or the number of products sold per day, week, or month (Fu et al., 2008, Fu, Richards, Hughes and Jones, 2010). While intuition suggests that a better performance leads to a higher firm profit, we argue that individual performance on new and existing products relates to net profit differentially.

In retail settings, more mature products often are sold at discount prices, leaving a lower profit margin for the retailer (Tellis and Zufryden, 1995). In contrast, new products frequently are sold at premium prices (Kang et al., 2010), because retailers recognize that customers have relatively low internal price reference knowledge for newly developed products (Zeithaml, 1988). In addition, customer’s willingness to pay for new products often is higher because new product introductions commonly are backed up with manufacturer’s marketing efforts such as advertisements with the intention to increase demand. For instance, Apple spent $691 million on advertising in the year that it launched the iPad and the new iPhone 4, promoting speculation, conversation, and word of mouth buzz (Dilger, 2010). In addition,
upstream partners such as manufacturers may reduce the wholesale price of new products to further stimulate retailers to carry the product in their assortment. This increases the profit margin and is likely to benefit the net profit of retailers (Lariviere and Padmanabhan, 1997). Therefore, we posit:

*H1: A salesperson’s performance in selling new products relates more positively to his or her obtained sales profit than the performance in selling existing products.*

**Managerial Selling Orientation and Salesperson Performance**

A manager’s selling orientation involves significant evaluative elements and constitutes a psychological or perceptual state because of differences in individuals’ interpretations (Di Mascio, 2010, Wieseke et al., 2009). In other words, rather than an objective reality, salespeople interpret a manager’s selling orientation and derive perceptions of strong managerial expectations (i.e., norms) pertaining to selling existing or new products. For instance, employees may experience that a manager wants them to develop sales arguments for new products and services. Employees are likely to comply with these perceived norms, as promotion and career advancement opportunities are contingent on manager evaluations (Fu, Richards, Hughes and Jones, 2010, Wieseke, Homburg and Lee, 2008).

Sales environments are oftentimes characterized by a vertical informational cascade, in which a sequence of identical choices between leaders and followers is established through observation and imitation of previous decisions (Homburg et al., 2010). Being confronted with managers’ decisions, salespeople are inclined to ignore their ‘private information’ and rely exclusively on the information obtained by their interpretation of the managerial orientation (Banerjee, 1992, Bikhchandani et al., 1992). Wieseke et al. (2008) demonstrated that when managers adopt a new brand, their followers are also more likely to adopt that brand because of compliance. Similarly, we expect that salespeople optimize their performance of selling new products when the manager is oriented towards selling new
products. Alternatively, they optimize their performance in selling existing products, when the manager’s selling orientation is directed to existing products. Hence, we posit:

\[ H2: \text{A sales manager’s new product selling orientation has a positive effect on a salesperson’s performance in selling new products.} \]

\[ H3: \text{A sales manager’s existing product selling orientation has a positive effect on a salesperson’s performance in selling existing products.} \]

Despite the directive effects of each individual orientation, literature suggests possible contradictory effects to result from a manager’s ambidextrous orientation. On the one hand, stressing the importance of selling both new and existing products may raise the awareness of sales people that realizing sales in each category should not be taken for granted (cf. Gibson and Birkinshaw, 2004). The higher awareness for both categories should lead to a better allocation of resources and improve performance. On the other hand, divergent interpretations of the orientations lead to unclear expectations that stifle the allocation of cognitive effort to each individual task (Hobfoll, 2002, Langfred and Moye, 2004). Even when interpreted correctly, goal-setting theory (Locke and Latham, 2002) predicts that the lack of a clear goal focus may harm task performance. Thus, confronted with mixed signals as on whether and when to sell new or existing products subordinates may not get a clear picture of a manager’s selling task prioritization. Alternatively, tension may arise when approaching a performance evaluation moment under an ambidextrously oriented manager. Consider the situation where a salesperson has obtained his/her monthly target for new products but not for existing products. The employee will feel an increased pressure to sell existing products to his or her customers, even when they demand a new product. This mismatch is likely to harm bottom-line performance. We therefore hypothesize:

\[ H4: \text{A sales manager’s ambidextrous selling orientation has a negative effect on a salesperson’s performance for selling (a) new and (b) existing products.} \]
The Mediating Role of Task Autonomy

While we hypothesize direct compliance-based effects of managerial selling orientations on individual performance, the frontline management mechanisms of task autonomy may fulfill a mediating role (Marinova, Ye and Singh, 2008). Based on their preferred firm goals, sales managers control their personnel through performance evaluations, strict supervision, and rewards (formal controls), or rely on employee self-regulation to appropriate behavioral norms (informal controls; Hartline et al., 2000, Jaworski, 1988). Recently, autonomy has been presented as an elegant and parsimonious single-concept solution that describes these managerial tradeoffs (Marinova, Ye and Singh, 2008). Granting salespeople little task autonomy signals that a manager relies on formal, manager-initiated control, while a high level of autonomy is associated with informal, employee-initiated control (Hartline, Maxham and McKee, 2000). Next to a direct compliance route to employee performance, we hypothesize that managers may influence performance using an indirect motivational route through task autonomy. Task autonomy is a prime candidate to mediate effects in our conceptual model, because it constitutes a central element in a sales person’s work motivation and participation (Hackman and Oldham, 1976, Langfred and Moye, 2004, Ryan and Deci, 2000).

Control theory indicates that when outcome uncertainty of the task increases (i.e., for new products), managers are more likely to adopt a control strategy with low levels of task autonomy (Eisenhardt, 1989). Salespeople may find it difficult to convince customers to buy new products, because both parties may not yet understand all ins-and-outs of the new offer (Christensen, 1997). The sales process is therefore more uncertain and managers may feel that salespeople need more direction in their selling activities  in order to be successful (Atuahene-Gima and Li, 2006). Limiting autonomy communicates that a leader will guide salespeople in difficult selling situations. In contrast, the sale of existing products is easier because market
demand already exists, value propositions are known, and sales tactics have been tried and tested. Thus consistent with control theory which states that when outcome uncertainty of the task increases (i.e., for new products), we anticipate that managers are more likely to adopt a control strategy with low levels of task autonomy (Eisenhardt, 1989). Hence:

**H5:** A sales manager’s new product selling orientation has a negative relationship with the salesperson’s degree of task autonomy.

**H6:** A sales manager’s existing product selling orientation has a positive relationship with the salesperson’s degree of task autonomy.

We anticipate that a manager with an ambidextrous selling orientation allows the sales force more task autonomy to decide on how to allocate time and effort. Combining both selling tasks is less programmable and behavioral monitoring therefore more difficult (Eisenhardt, 1989). Ambidextrous managers understand that they are unable to anticipate the variety of customer needs and must rely on employees’ “local knowledge” to provide solutions that address those needs (Marinova, Ye and Singh, 2008). For example, selling new products may ask for new sales tactics that conflict with the current procedures for established products. Task autonomy may effectively reconcile inconsistencies through creative problem solving; employees are allowed to experiment with different sales tactics in different situations and develop a repertoire that works for a diversity of customers and products. In other words, tensions resulting from a manager’s ambidextrous selling orientation can be resolved by allowing actors easy access to organizational resources, freedom of initiative, and guidance, rather than exercising authority (Gibson and Birkinshaw, 2004). Hence, we posit:

**H7:** A sales manager’s ambidextrous selling orientation has a positive relationship with the salesperson’s degree of task autonomy.

In turn, we posit that an individual’s task autonomy is positively related to his/her sales performance. There are two mechanisms through which autonomy influences individual
performance (cf. Langfred and Moye, 2004). First, job design literature states that \textit{responsibility} explains why autonomy leads to positive outcomes (Hackman and Oldham, 1976). By delegating the authority to make decisions, people perceive responsibility for their work outcomes, which makes them exert more effort. They perceive that their personal efforts determine outcomes and when performance is inferior, corrective actions and additional efforts are undertaken (Man and Lam, 2003, Markman et al., 2005)

Second, also \textit{informational} benefits are expected from increased task autonomy (Langfred and Moye, 2004); a salesperson may have information about the customer that is not available to the supervisor. Sales people have to assess whether the release of new products on the market caused changes in customers’ hierarchy of demands. This is a task in which sales reps are more proficient than their sales managers, because they engage in one-to-one conversations with customers (Homburg et al., 2009). Hence, an information asymmetry between employee and manager arises. Under conditions of low task autonomy, sales decisions would be realized in an inefficient way, as the superordinate lacks important information to make the decision. Under conditions of high task autonomy, employees make better and more efficient decisions that consequently increase their performance.

Of the two mechanisms above, the informational mechanism applies specifically to new product selling. Informational benefits are less likely to occur during the sale of existing products, because a sales manager is familiar with the key strong and weak points of an established product, has good insight in current customer needs, and is informed on effective sales tactics. Hence, as only the responsibility mechanism explains autonomy’s effectiveness when selling existing products, but \textit{both} mechanisms apply to new product selling, we hypothesize:

\textit{H8: The positive relationship between a salesperson’s degree of task autonomy and his or her sales performance is stronger for new products than for existing products.}
Managerial Performance Feedback and Salesperson Age

It may be cognitively demanding for sales employees to balance their efforts over a portfolio of new and existing products, especially when given the autonomy to distribute their resources. We investigate whether managers can install other mechanisms that moderate the autonomy-performance relationships and we also want to know whether autonomy enhances each employee’s performance equally. We therefore propose that manager performance feedback and employee age moderate the relationships between autonomy and individual sales performance. We select age and not other personal characteristics such as tenure or experience. Research shows that in retail settings customers select and approach a salesperson based on observable characteristics such as age instead of non-directly observable characteristics such as experience or tenure (Foster and Resnick 2011).

Managerial performance feedback. We define managerial feedback as the information managers provide to unit employees to direct employees’ sales performance (Marinova, Ye and Singh, 2008). Under conditions of new product selling, a manager’s feedback is likely to carry inaccurate information that may result in inconsistent responses by the employee (Hammond et al., 1973, Kluger and DeNisi, 1996, Tindale, 1989). While task autonomy motivates individuals to experiment with different selling strategies and pick out the effective ones, performance feedback by the more uninformed manager is likely to confuse sales reps and guide them to implement unsuccessful strategies (Hammond and Summers, 1972). Consequently, the informational benefits of autonomy on new product selling performance are lost because feedback diverts salespersons’ attention. We thus posit that high levels of performance feedback reduce the positive effect of autonomy on sales performance for new products.

In contrast, in a situation of existing product selling, performance feedback has a lower probability of carrying inaccurate information because a manager is better informed.
Performance feedback then serves a directive function, such that employees can better focus their attention and effort toward the relevant activities and away from the irrelevant activities (Locke and Latham, 2002). Given the routineness of the task, employees may know how to achieve the set goals. Managerial feedback makes them aware of their performance vis-à-vis their goals, which provides further motivation. Hence, feedback on where a sales employee stands with respect to his/her targets may augment the positive effect of autonomy on sales performance for existing products, because more effort is allocated towards achieving these targets. In sum, we hypothesize:

*H9: As manager performance feedback increases, the positive effect of task autonomy on the salesperson’s performance for new products becomes weaker.*

*H10: As manager performance feedback increases, the positive effect of task autonomy on the salesperson’s performance for existing products becomes stronger.*

*Salesperson age.* We expect that older salespeople more effectively use higher levels of task autonomy than their younger counterparts. While older people may be disadvantaged in acquiring and remembering information, *memory* task performance may not reflect the competence that older workers demonstrate in tasks like selling existing products (Sorce, 1995). Older people have a broad set of personal and work experiences and are therefore better able to take a high-level perspective on a range of tasks (Zimprich et al., 2009). This provides them with a set of decision making heuristics, which generally allows for a more effective transformation of autonomy resources into selling outcomes (Sorce, 1995). Such heuristics have been proven to be especially important to perform in retail settings (Sharma and Levi 1995).

Due to their elaborate knowledge structures, older employees are also able to fit in new information with their existing knowledge base (Sturman, 2003). When a new product is introduced onto the market, they have a clearer view on how this product is different from
previous ones. This allows them to better indicate the new product’s features to buyers compared to their younger counterparts. In addition, older employees reflect on how they used to deal with new product introductions in the past. With increasing autonomy, their past experience enables older employees to more easily ‘read’ the new product selling situation and adapt their selling tactics accordingly. With decreasing autonomy though, older employees are unable to tap into these experiences as they have to clearly follow managerial guidelines and practices.

Younger sales reps, on the other hand, have a more limited repertoire of selling approaches and instead need to rely on cognitive ability to learn new tactics and solve problems (Murphy, 1989, Sturman, 2003). We expect that because they lack a structure or routine to guide their efforts they will be less proficient in translating time and energy into outcomes when task autonomy increases. In other words, increasing autonomy would yield little payoff for these younger sales reps. We posit:

\[ H11: \text{As a salesperson’s age increases, the positive effect of task autonomy on his or her performance for new products becomes stronger.} \]
\[ H12: \text{As a salesperson’s age increases, the positive effect of task autonomy on his or her performance for existing products becomes stronger.} \]

**Data and Method**

*Sample and Procedure*

We selected a Norwegian subsidiary of a large European consumer electronics retailer as our research setting. The consumer electronics industry is appropriate for our study as new product launches are frequent. This leads to diverse portfolios of new and existing products. The company has experienced significant sales growth and has consistently been a high performer in the market over the last five years. Each sales agent was responsible for the complete portfolio of products and operated on an individual basis. Based on company
records, we selected three product categories that ranked among the top 5% sold in 2009. To prevent any selection biases, we checked 2007 and 2008 records to identify whether the sales of these categories have been stable over time. No significant shifts in category rankings were found. To rule out the possibility that new and existing products were sold jointly in package deals, we selected product categories that were relatively independent when considering a single customer encounter (correlations < .3). The product categories that we considered were: mobile phones, headphones, and laptops. To discriminate new from existing products we defined a product as “new” when it was introduced into the company’s product portfolio during the last 6 months. An existing product, on the other hand, is defined to be introduced into the company’s product portfolio over 12 months ago.

We collected longitudinal data from two separate sources. First, manager selling orientation, task autonomy, individual sales performance, and manager performance feedback were collected by means of a sales employee survey. We then obtained from company records a salesperson’s age, educational level, and his/her individually realized net profit of the three product categories for the six month period following the survey.

We surveyed 280 sales representatives and obtained 104 usable responses (response rate: 37.1%). Approximately 82% of the sample was male, the average tenure with the company was 9.25 years, salespeople were on average 28 years old, and mainly finished secondary school. We probed for selection and non-response bias by comparing (1) early and late respondents on our key study variables and (2) the performance data of respondents and non-respondents. None of these comparisons revealed any significant differences.

Measures

The measures employed in the survey were established after a review of the relevant literature and ten in-depth interviews with sales employees, sales managers, and customers. We constructed a draft questionnaire and pretested it with one senior manager, one sales manager,
two sales representatives, and two industry experts. Based on the pretests, we made minor
adjustments in wordings to ensure relevance. Table 1 displays the item wordings for all
constructs; scale reliabilities and other descriptive statistics appear in Table 2.

We assessed “salesperson net profit” with a three-item formative scale that included the
profit obtainment for the three different product categories (i.e., mobile phones, headphones
and laptops). All latent constructs were assessed with multiple statements to which
respondents answered on a five-point Likert scale, ranging from “strongly disagree” to
“strongly agree”.

We measured “sales performance” with a four-item scale developed by Hultink and
Atuahene-Gima (2000) and adapted the items to capture both new product selling and existing
product selling. New measures were developed for “managerial selling orientation,” as we
were unable to find existing scales that operationalize how sales managers prioritize selling
new or existing products. We built on scales from organizational learning literature
(Atuahene-Gima, 2005, Jansen and Volberda, 2006, Mom et al., 2009). These scales assess a
manager’s exploratory and exploitative orientations. We adapted, tested, and fine-tuned the
items based on in-depth interviews and pretests with sales managers, salespeople, and support
staff. The resulting selling orientation scales consist of five items each.

Following prior research (Atuahene-Gima 2005; He and Wong 2004), we chose a
multiplicative measure of managers’ new and existing product selling orientations to
operationalize ambidextrous selling orientation. Compared with other operationalizations (i.e.,
taking the absolute difference between, or summing the values of exploration and
exploitation), this method offers a more robust measure (Atuahene-Gima 2005). To create the
measure for ambidextrous selling orientation, we first standardized the aggregated item scores
of the new and existing product selling orientations and then multiplied them. Furthermore,
“autonomy” was assessed using items adapted from De Jong, De Ruyter, and Lemmink
(2004). We developed a new scale for “manager performance feedback” to specifically capture feedback on the ratio between an employee’s new and existing product selling performance. Based on our pre-survey interviews, we concluded that two attributes reflect true performance feedback: (1) the amount of feedback and (2) the number of comments.

Model and Estimation

We tested our conceptual model using a partial least squares (PLS) approach. This approach models both reflective and formative constructs and concurrently estimates all conceptual relationships. When compared to other structural equation modeling approaches, PLS does not impose stringent requirements on the sample size and the distribution of the variables. To test convergent and discriminant validity, we examined inter-item correlations, which demonstrated that individual items are more strongly related to items from the same latent construct, as opposed to other items. Furthermore, the average variance extracted (AVE) exceeded the .50 threshold for each construct. All constructs pass Fornell and Larcker’s (1973) criterion of discriminant validity because the AVE of each single construct exceeds the variance shared with any other construct (see Table 2). All scales have sufficient reliability as composite reliabilities and Cronbach’s alphas are all above the .7 threshold.

To test the proposed relationships, we first fit a base-line model (Model 1) that covers the hypothesized model depicted in Figure 1, but excludes the task autonomy variable and the moderation effects of performance feedback and employee age (i.e., without H5-H10). Consistent with previous findings we also control for non-linear effects of salesperson age (Fu 2009). Next, to test the mediating role of autonomy, we included the relationships between sales manager orientation and autonomy and between autonomy and sales performance in Model 2. Finally, we multiplied the standardized scores of task autonomy and manager
performance feedback, age, and age squared respectively to test whether the effects of autonomy on performance are contingent on these variables. We followed Chin’s (1998) recommendation to use bootstrapping (with 500 runs) as the re-sampling procedure.

Results

Test of Hypothesized Relationships

Table 3 shows the estimates for the hypothesized effects and the variance explained in the endogenous constructs. As Model 1 shows, we found that a salesperson’s new and existing product selling performance differentially affected his or her net profit obtained. More specifically, performance in selling new products positively affected net profit (Model 1; \( \beta = .244, p < .05 \)), while performance in selling existing products was negatively related to this outcome (Model 1; \( \beta = -.182, p < .05 \)). The results support H1. The negative effect of existing product selling performance on net profit may be explained by the fact that existing products are sold at a price that is on average not profitable; Existing products may be sold at discount prices that are lower than the cost price. Another explanation could be that storage costs and overhead are larger for existing products given the longer time period of storage.

We also examined how a sales manager’s selling orientation affects a salesperson’s performance. The results indicated that a new product selling orientation positively affected an employee’s performance in selling new products (Model 1; \( \beta = .249, p < .01 \)), thereby supporting H2. H3 is also supported, because we found a positive relationship between a manager’s existing product selling orientation and salesperson’s performance in selling existing products (Model 1, \( \beta = .205, p < .01 \)). In addition, while Model 1 showed that this orientation also positively affects performance in selling new products (\( \beta = .164, p < .01 \)), inclusion of autonomy (Model 2) revealed that this effect is spurious (\( \beta = .030, p > .10 \)).
However, the positive effect between new product selling orientation and a salesperson’s performance in selling existing products remained positive after inclusion of autonomy (Model 2, $\beta = .225$, $p < .01$). This implies that there are spillover effects from a manager’s prioritization of selling new products to selling existing products, but when a manager emphasizes selling existing products, there is no spillover to performance in new product selling. Finally, we found that an ambidextrous selling orientation had a negative effect on a salesperson’s performance in selling new products (Model 1, $\beta = -.171$, $p < .01$) and existing products (Model 1, $\beta = -.213$, $p < .01$), supporting H4a and H4b respectively.

Next, we tested the influence of autonomy as a mediator between a sales manager’s selling orientation and a salesperson’s performance (Model 2). In support of H5 and H6, the results indicated that a new product selling orientation was negatively associated with task autonomy (Model 2, $\beta = -.122$, $p < .05$) and that an existing product selling orientation was strongly positively associated (Model 2, $\beta = .412$, $p < .01$) with this mediator. Furthermore, an ambidextrous selling orientation was positively related to task autonomy (Model 2, $\beta = .181$, $p < .01$), in support of H7. Further, in support of H8, autonomy had a stronger positive effect on performance in selling new products (Model 2, $\beta = .339$, $p < .01$) than performance in selling existing products (Model 2, $\beta = .164$, $p < .01$).

Finally, we examined the moderating effects of manager performance feedback and age on the autonomy-performance relationships. Model 3 in Table 3 indicates that feedback negatively moderated the relationship between task autonomy and performance in selling new products (Model 3, $\beta = -.176$, $p < .01$). This result supports H9. In support of H10, feedback positively moderated the relationship between autonomy and performance in selling existing products (Model 3, $\beta = .189$, $p < .01$). Figure 2 provides graphical representations of these moderated relationships; we interpret these results in the discussion section. We also found that age strengthens the relationship between task autonomy and performance in selling new
products (Model 3, $\beta = .363$, $p < .01$) and the relationship between task autonomy and performance in selling existing products (Model 3, $\beta = .222$, $p < .01$). These findings supported H11 and H12. Figure 3 plots the interactive effects of age and autonomy on selling performance.

An interesting result from our control variables was found in the positive non-linear moderating effect of age on the autonomy-performance relationship for both new (Model 3, $\beta = .128$, $p < .05$) and existing products (Model 3, $\beta = .194$, $p < .01$). Figure 4 further probes into this non-linear interaction effect. When task autonomy is high there is an almost linear positive effect of age on sales performance in selling existing (Panel A) and new (Panel B) products. When task autonomy is low there is an inverted U-shape relation between age and performance in selling existing and new products. These results imply that the benefits of age decline when sales representatives work under low levels of autonomy.

Post Hoc Analysis

We calculated the total marginal effects of the manager’s selling orientation on net profit to see the joint bottom-line results of the motivational and compliance routes to product selling. In calculating these total marginal effects we followed the procedure used by Marinova et al. (2008); we fixed the effect of one managerial orientation (i.e., at 2 SD above or below the mean) while calculating the total marginal effect of the other orientation. As a result, four different total marginal effects can be calculated; two that reflect an ambidextrous selling orientation and two that reflect a singular selling orientation. Table 4 shows an overview of these four effects and the results of the calculations.
The findings showed that an ambidextrous orientation outperformed a singular orientation, but that this effect depended on the amount of feedback a manager provided, the age of a salesperson, and the balance between the two individual orientations in ambidexterity’s dual focus. An ambidextrous orientation was particularly powerful for an aging sales force under a manager who provided little performance feedback. The total marginal effect on net profit was .225 under these conditions. An emphasis on either new or existing product selling (i.e., a singular orientation) resulted in a less positive bottom-line effect.

Furthermore, the results indicated that a singular existing product selling orientation hardly affected net profit scores, regardless of the sales force age and the levels of performance feedback (i.e., range from -.014 to .004). Interestingly, a singular new product selling orientation can be profitable. Particularly, when age was low and feedback was high, the total marginal effect of a new product selling orientation was positive (i.e., .152). In sum, while the results indicated that an ambidextrous orientation and a new product selling orientation can be profitable, both need different frontline mechanisms.

Discussion

This study explores how employees may be lead to sell new and existing products in a retail setting. Although previous research recognized the tensions that may occur between supply chain partners during new product introductions (Hughes and Ahearne, 2010, Tsay, 2001), we are not aware of any study addressing the idiosyncratic challenges that retail sales managers face—adopting and selling new products while reducing existing products stock levels. We adopt an intra-retailer approach to this dilemma and explain when and why a sales manager’s selling orientation results in net profit outcomes. We outline a compliance route from selling orientations to selling performance, but find that a motivational route built by carefully
managing a frontline management mechanism of task autonomy, managerial performance feedback, and employee age acts as the key mediator. We outline our main findings below.

Effects of Manager Orientation on Net Profit Obtainment

A first take-away of our study is that a focus on salesperson performance in terms of sales volume or number of product sold yields an incomplete, if not misleading, representation of salespersons’ contribution to the bottom-line. Managers and researchers should take the distinction between new and existing product selling into account. We show that sales reps that excel in selling existing products may actually have a detrimental effect on overall net profit. Our results indicate that retailer managers would profit from emphasizing the importance of selling new and existing products simultaneously; they should have an ambidextrous selling orientation. Still, the frontline mechanisms of task autonomy, managerial performance feedback, and employee age should be carefully aligned with their selling orientation.

Ambidextrous managers should provide little feedback on salespeople’s performance, especially when the sales force is aging. They should also be aware that the balance between emphasizing new and existing product selling is not overly skewed towards existing product selling. This may have negative bottom-line consequences on net profit. As such, we add to organizational learning literature, where studies are inconclusive on the effects of ambidexterity; some report positive effects (e.g., Gibson and Birkinshaw, 2004, He and Wong, 2004), while others show negative outcomes (e.g., Atuahene-Gima, 2005). We show that an ambidextrous orientation does pay off, but only under the right conditions.

An alternative for managers to achieve a high net profit is to predominantly focus on new product selling. In contrast to the frontline mechanism of an ambidextrous orientation, this “new-products-only focus” is most effective when the sales force is young and the manager is able to provide high levels of performance feedback. Thus, the results indicate that both an
ambidextrous and a new product selling orientation can be successful, but under different conditions. Moreover, the results reveal that managers predominantly oriented towards existing product selling are likely to end up with low or even negative net profit scores.

**Effects of Manager Orientation on Sales Performance**

Second, when abstracting from the profit-focused discussion above, an important conclusion of our study is salespeople comply with the selling priorities set by their managers. We find that a manager’s existing product selling orientation positively affects performance in selling existing products, but not selling new products. A manager’s new product selling orientation positively influences sales rep’s performance in selling new product and existing products. A potential explanation for the spillover effects is that salespeople are inherently inclined to sell proven sellers because they have knowledge about how each product feature addresses specific customer needs (Atuahene-Gima, 1997, Wieseke, Homburg and Lee, 2008).

Third, a manager’s ambidextrous selling orientation has a negative impact on employees’ performance in selling new and existing products. This confirms that salespeople have difficulty in dealing with divergent objectives during their goal accomplishment (Locke and Latham, 2002). As explained though, an ambidextrous selling orientation may still turn out to be very beneficial for net profit through the alignment of frontline mechanisms. As such, we find strong effects of the motivational route to product selling, through task autonomy. The importance of autonomy is especially articulated for uncertain and challenging tasks, such as the sale of new products because more informational benefits that arise between employee and manager (Langfred and Moye, 2004). Even though autonomy has a strong effect on performance in selling new products, we find that a manager emphasizing new product selling provides lower levels of task autonomy. Finally, task autonomy has a significant, direct positive effect on sales performance for both new and existing products.
Contingent Role of Performance Feedback and Age

We also conclude that the motivational route as defined in the frontline management mechanism of task autonomy affects each individual differently. The effect of task autonomy on sales performance is dependent on an employee’s age and the amount of performance feedback he/she receives from the sales manager. Manager performance feedback amplifies the positive impact of autonomy on performance in selling existing products (Figure 2, Panel A). For this activity, feedback may serve a directive purpose and motivate employees by clarifying roles and expected outcomes. In contrast, managerial feedback reduces the positive impact of autonomy on performance in selling new products (Figure 2, Panel B). For this activity, feedback may throw employees off-guard in their search for an effective sales approach.

Finally, autonomy’s positive effect on performance in selling new and existing products is stronger for older employees (Figure 4). However, under low task autonomy is low; age has a nonlinear, inverted U-shape effect on performance. When there are low levels of freedom to execute tasks based on own insights and decision making heuristics, older people become increasingly frustrated that their expertise is disrespected by their manager (Sorce, 1995). As a result, they are less motivated to perform. Under low task autonomy, the benefit from the higher information advantage vanishes as sales decisions have to be made in line with the manager’s rule. These findings nuance the dominant paradigm that age will detrimentally affect sales performance due to declines in memory, attention, and agility (Fu, 2009). We find this effect is dependent on the specific task (also see Sturman, 2003) and can be countered by granting older salespeople more task autonomy.
Managerial Implications

Given the higher profits generated with the sale of new products, sales managers might be tempted to allocate more attention and effort towards this selling activity. However, managers should realize that such a view is shortsighted, since neglecting the sale of existing products will result in future losses as profit margins drop, storage costs increase, and these products suffer from customer perceptions of devaluation. Instead, managers are advised to emphasize different strategies for their sales employees.

On the one hand, managers should have an ambidextrous selling orientation towards older salespeople. In doing so, managers should grant these employees autonomy to effectively deal with trade-offs in the joint pursuit of selling new and existing products. Shifting decision-making power to the frontline enables these employees to better match each type of product with dynamic customer demands. The managerial urge to micromanage should be resisted; it may be better to loosen the strict monitoring regime and introduce sales meetings every two weeks or once a month to get up to speed with market developments. Managers thus need to rely on the “local knowledge” and decision making heuristics of their more experienced sales employees. Task autonomy should be combined with little performance feedback; continuous feedback restricts the salesperson’s willingness to engage in smart selling (Sujan, Weitz and Sujan, 1988). It also signals managerial distrust in the person’s abilities to obtain targets for unstructured tasks, leading to lower performance in selling new product.

On the other hand, we find that managers should have a new product selling orientation towards their younger sales agents. Younger workers are naturally driven to sell novel products, but need close monitoring during their selling activities. This allows them to better focus their attention and effort toward the new product selling activities and away from the irrelevant activities (Locke and Latham, 2002). As salespeople in the early stage of their
career experience are more open to new ideas and training (Cron, 1984), managers can support their learning curve by providing adequate and timely feedback on their sales performance.

**Limitations and Further Research**

This study provides key insights into the management of new and existing product selling processes. The empirical study offers numerous opportunities for future research, but also has some limitations. First, the small sample size has the potential to reduce statistical power and inflate Type II errors. To address this issue, we conducted partial least square (PLS) analysis to derive appropriate estimates, as it is especially suitable for small sample sizes and makes no requirements regarding the normality of the data. Overall, the statistical support for our model is large, which alleviates concerns of inadequate power. Second, we suggest caution in generalizing our findings beyond retail organizations. Although we expect that comparable effects will emerge in other sales contexts, validation in different settings is needed. For instance, when compared to business-to-business setting, sales cycles in retail settings are generally short and uncomplicated. This could affect the role of task autonomy and its moderators (cf. Langfred and Moye, 2004). Alternatively, in selling services, the different revenue structure (e.g., existing services to do not incur storage costs) may make the negative effect of existing product/service sales performance on profit less pronounced. While this does not affect our recommendations to optimize sales performance, future research may want to affirm the relationships with sales profit as the dependent variable.

Our findings provide a foundation for additional research that might uncover important managerial mechanisms that further inform both theory and practice. For example, when considering the effects of a salesperson age and managerial performance feedback in our model, two research questions are applicable. First: do other personal factors such as sales
experience, company tenure, and industry experience also affect the effectiveness of autonomy? Second: is the moderating effect of managerial performance feedback dependent on how “new” a new product is exactly? In other words, when do the performance-weakening effects of feedback for new products turn into performance-enhancing effects for existing products? In addition, future research may establish more mediating variables between selling orientations and outcomes. While we focused on task autonomy that positively relates to performance, it may also be interesting to investigate constructs that may negatively mediate between orientations and outcomes, such as goal conflict (cf. Singh, 2000). Finally, manufacturer actions and tactics may also direct salesperson behavior. Exploring the impact of upstream partners’ selling orientations on retailers’ sales force performance may be an interesting future research topic.
References

4/3Rumors (2011). (FT5) GF7 announcement in December/January only. 45-175mm coming soon.


FOOTNOTE

While the concept of ambidexterity has emerged as an important topic in the marketing literature, there has been considerable work on 'Dual Emphasis' (renamed here as 'Ambidexterity') in the marketing literature at the firm level (e.g., Mittal et al., 2005, Rust et al., 2002). However, this paper focuses on how managerial orientations affect behavior at the individual level. As such, it indicates the cascading effect of managerial orientations to the front line. We thank an anonymous reviewer for pointing this out.
TABLE 1
Scale Items for Construct Measures

New / Existing Product Sales Performance
(Five-point Likert-type scale; 1 = “strongly disagree,” and 5 = “strongly agree”)
Compared to colleagues in general I am, for selling new / existing products, more successful in…
• …generating a high level of sales volume.
• …quickly generating sales.
• …exceeding sales targets set.
• …assisting the sales manager in achieving the objectives.

New Product Selling Orientation
(Five-point Likert-type scale; 1 = “strongly disagree,” and 5 = “strongly agree”)
My sales managers want me to spend my time and attention primarily to…
• …selling new products and services in our assortment.
• …the development of a sales argument for new products and services.
• …experimenting with the selling tactics for new products and services.
• …the utilization of selling opportunities for new products.
• …spotting new, emerging needs of customers.

Existing Product Selling Orientation
(Five-point Likert-type scale; 1 = “strongly disagree,” and 5 = “strongly agree”)
My sales managers want me to spend my time and attention primarily to…
• …selling existing products in our portfolio.
• …selling upgrades of existing products and services.
• …the exploitation of sales arguments for existing products in our assortment.
• …the complete utilization of selling opportunities for existing products.
• …maximize the selling performance of existing modules.

Task Autonomy
(Five-point Likert-type scale; 1 = “strongly disagree,” and 5 = “strongly agree”)
• I am allowed complete freedom in selling products.
• I am allowed to sell products the way I think best.
• I am permitted to use my own judgment in selling products.
• I am allowed a high degree of initiative in selling products.

Manager Performance Feedback
(Seven-point Likert-type scale; 1 = “little/few,” and 7 = “much/many”)
• How much feedback does your manager provide regarding your performance ratio for existing/new products?
• How many comments does your manager provide regarding your performance ratio for existing/new products?
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*p < .05.

**p < .01.
### TABLE 3
Results of Structural Equations Analyses

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<td>.244 **</td>
<td>.246 **</td>
<td>.242 **</td>
<td>H1</td>
</tr>
<tr>
<td>Task autonomy</td>
<td>-.182 *</td>
<td>-.183 *</td>
<td>-.173 *</td>
<td>H1</td>
</tr>
</tbody>
</table>

*p < .05.

**p < .01.

Bold italic figures indicate variance explained in endogenous variables.

Notes: t-value is for one-tailed test only. Critical values: 2.364 (p < .01), 1.660 (p < .05).
<table>
<thead>
<tr>
<th>Selling Orientation</th>
<th>Total Marginal Effect (TME)</th>
<th>Range TME $^b$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ambidextrous</td>
<td>New product</td>
<td>$\frac{\partial \text{Profit}}{\partial \text{Mornew}} = .001 + .012 \times \text{Age} - .001 \times \text{Age}^2 - .018 \times \text{Feed}$</td>
</tr>
<tr>
<td>Existing product</td>
<td></td>
<td>$\frac{\partial \text{Profit}}{\partial \text{Morext}} = .039 + .038 \times \text{Age} - .002 \times \text{Age}^2 - .058 \times \text{Feed}$</td>
</tr>
<tr>
<td>Singular orientation</td>
<td>New product</td>
<td>$\frac{\partial \text{Profit}}{\partial \text{Mornew}} = .026 - .024 \times \text{Age} + .001 \times \text{Age}^2 + .037 \times \text{Feed}$</td>
</tr>
<tr>
<td>Existing product</td>
<td></td>
<td>$\frac{\partial \text{Profit}}{\partial \text{Morext}} = -.016 + .002 \times \text{Age} - .000 \times \text{Age}^2 - .004 \times \text{Feed}$</td>
</tr>
</tbody>
</table>

$^a$ Total marginal effect of selling orientation on net profit given high level (i.e., +2 SD, Ambidextrous orientation) or low level (-2 SD, Singular orientation) of other orientation.

$^b$ The range of the total marginal effect on net profit given high (+2 SD) or low (-2 SD) levels of age and feedback.
FIGURE 1
Conceptual Framework

MANAGERIAL SELLING ORIENTATION
- New product selling orientation
- Existing product selling orientation
- Ambidextrous selling orientation

SALESPERSON PERFORMANCE
- Performance in selling new products
- Performance in selling existing products

Salesperson age

Manager performance feedback

H2 (+), H3 (+), H4 (-)
H5 (-)
H6 (+)
H7 (+)
H8
H9 (-)
H10 (+)
H11 (+)
H12 (+)

Data from salespersons (t = 1)
Data from company database (t = 2)

→ Represents all direct effects of manager orientations on performance

H1
Salesperson net profit

H5 (-)
H6 (+)
H7 (+)
H8
H9 (-)
H10 (+)
H11 (+)
H12 (+)
FIGURE 2
Two-way Interactions between Task Autonomy and Feedback on Performance

PANEL A: Existing Products

PANEL B: New Products
FIGURE 3
Two-way Interactions between Task Autonomy and Age on Performance

PANEL A: Existing Products

PANEL B: New Products
FIGURE 4
Two-way Non-linear Interactions between Task Autonomy and Age on Performance

PANEL A: Existing Products

PANEL B: New Products