Journal of Retailing and Consumer Services 60 (2021) 102460

Contents lists available at ScienceDirect

Journal of Retailing and Consumer Services

journal homepage: http://www.elsevier.com/locate/jretconser

Does managing customer accounts receivable impact customer relationships, and sales performance? An empirical investigation

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ARTICLE INFO

Keywords:
Account receivables
Customer orientation
Relationship orientation
Customer performance
Salesperson

ABSTRACT

The impact of accounts receivables on the performance of salespersons is largely ignored in sales literature. However, in many sales contexts, managing customers' accounts receivables is directly managed by the salespeople, and therefore substantially impacts their sales performance. Towards such sales contexts, in this empirical study, we study the effect of customer account receivables and salespersons' customer orientation on their relationship orientation and customer-related performance. We further analyse the direct impact of relationship orientation on customer-related performance. Using survey-based data from 224 salespersons based out of India, we empirically test the proposed model using partial least squares structural equation modelling. Our findings suggest that accounts receivables from customers and salespersons 'customer orientation strongly impact relationship building and also improves customer-related performance. The salespersons' relationship orientation also partially mediates the relationship between customer account receivables and customer-related performance. Therefore, this study provides much-required evidence to establish the salience of salesforce appropriately managing customers' account receivables so that its impact on their sales performance customer relationships are not adversely affected.

1. Introduction

"The receivables asset is often called the company's garbage bin. This is because the asset receivables reflect the quality of the entire operation in the revenue cycle. If a mistake is made in placing an order, delivering it, invoicing it, taking payment by the customer or if the customer is dissatisfied with the product or service, it may show itself as past due or short payment in the accounts receivable ledger"- (Salek, 2005).

There is a popular belief in sales management that a sale is not a sale until the payment is received; it is a gift, until then. In the world of sales, products and services are regularly sold and delivered to customers under an explicit understanding that payments would be rendered in compliance with the negotiated conditions of the sale. The critical challenge in managing the credit risk from a firm's perspective is to balance the necessity for credit sales and the benefits generated from the sales against the potential risk of offering credit to customers. Most often, when firms decide on credit policies for their customers, the credit limits are estimated based on the cumulative liability that the firm can undertake for a specific client, often referred to as a 'line in the sand', above which, risks cannot be accepted (Salek, 2005). If customer accounts receivables are not managed well, the customer payments may reduce or dry up, which may adversely influence the cash flows of the supplier firm. The salespersons thus need to develop the 'collection skills' required to handle such situations, which may include the knowledge of company accounting policies, account monitoring and management, exemption and modification handling, record collection, and, most importantly, the ability to establish a productive working relationship with clients. For most firms, it's salesperson has the closest relationship with the customer, which makes them the appropriate individual to manage credit on the firm's behalf. From the customer's perspective also, it makes it more difficult for customers to defer payments, as most often, they tend to have a 'personal connect' with the firm's salesperson (Schauffer, 2002).

The role of credit sales, that generates account receivables (AR), has been studied in sales literature, albeit under different facets. The literature shows that facets such as the credit rating/score (Abdou and Pointon, 2011; Kiesel and Spohnholtz, 2017; Šušteršič et al., 2009); credit risk assessment (Crook et al., 2007; Papouskova and Hajek, 2019); and/or credit policy (Ng, C. K., Smith and Smith, 1999; Petersen, & Rajan, 1997; Sarkar et al., 2015) are well studied. Although some studies

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https://doi.org/10.1016/j.jretconser.2021.102460
Received 15 July 2020; Received in revised form 15 December 2020; Accepted 17 December 2020
Available online 29 January 2021

(e.g. Arya et al., 2006; Yao and Deng, 2018) have looked at the role of receivables in regulating the salesperson incentive, in the sales literature, there is no established linkage between AR and salesperson's relationship orientation and/or salesperson's performance. We argue in this article that this void in literature is an important one to fill since this relationship does merit careful consideration, given that customer defaults in payment may lead to several problems for the firms, not only impacting the revenue cycle, but also the firm-customer relationships. This further adversely impacts the performance, and motivation of the salesforce, thus reducing customer satisfaction and the firm's service commitments.

The role of salesperson's customer orientation as an important antecedent has already been established in sales literature (Habel et al., 2019; Jobber and Lancaster, 2006; Saxe and Weitz, 1982; Schwepker and Good, 2004). We argue in this study that both the salesperson's customer orientation and AR directly impact customer-related performance, while there is also a mediating mechanism of these antecedents vis-à - vis relationship orientation. Both direct, as well as indirect mechanisms, work synchronously, and the importance of either of these cannot be ignored. Extant literature has ample evidence to show the customer orientation of a salesperson positively impacts the performance of a salesperson (Pettijohn et al., 2007; Saxe and Weitz, 1982; Terho et al., 2015), while also increasing customer satisfaction (Goff et al., 1997; Baber et al., 2020). Besides, a salesperson's customer orientation is considered to be the building block of a strong relationship orientation (Hansen et al., 2016; Williams and Attaway, 1996), which plays a key role in account receivable (AR) management by the salesforce, reducing significantly thereby the credit risk. In this study, we aim to understand salesperson's account receivables from a different perspective. We explore the role of better account receivable management on relationship building with a customer, and resultantly an improved customer-related performance. This aspect hasn't been studied earlier. We would also like to study how customer orientation impacts relationship building and customer-related performance.

The rest of the article is structured as follows. The next section gives an overview of important constructs in the study, followed by a theoretical background and development of hypothesis for the conceptual model (See Fig. 1). The methodology and findings are presented subsequently in the next two sections. Thereafter, we present sections on discussion, implications, and limitations of the study. The article ends by offering a few conclusions.

2. Literature review

2.1. Account receivable

Borrowing and lending practices have quite a long history related to human behavior (Thomas et al., 2002). Anderson (2007) recommended the term 'credit' signifies 'purchase now, pay later'. It originates from the Latin word 'credo,' meaning 'I accept as true' or 'I have faith in'. A supplier's accounts receivable refers to the money that buyers have promised to pay for goods and services (van der Vliet et al., 2015). Firms normally sell merchandise, using credit instead of prompt cash payments. These credit sales result in accounts receivables. These choices (pay cash or buy on credit) merit cautious consideration for two reasons. To start with, receivables are an important part of a corporate's assets. Second, we intend to look at firms' mediators of accounts receivable administration strategies.

Literature suggests that trade credit is a form of price discrimination (Brennan et al., 1988). It does so by utilizing credit as a tool to manage pricing when other forms of segregation through price isn't legitimately admissible. Often 'credit' acts as a product quality warranty (Long et al., 1993), or as an assurance that signals that an upstream (supplier) firm can initiate fitting levels of relationship-specific investments (Abuhommous and Mashoka, 2018; Dass et al., 2015) in customers' businesses. Therefore, credit helps firms to cultivate long-term customer relationships (Dawson et al., 2017; Summers and Wilson, 2002) and streamline their inventory management system (Bougheas et al., 2009). Essentially, trade credit looks to give access to capital for customers who otherwise would find it difficult to raise it through conventional financial channels. Suppliers may therefore be considered as superior to specialized financial institutions in assessing and controlling their buyers' credit risk. The customers may, on the other hand, have a cost-preferred position in credit assessment primarily for two reasons.

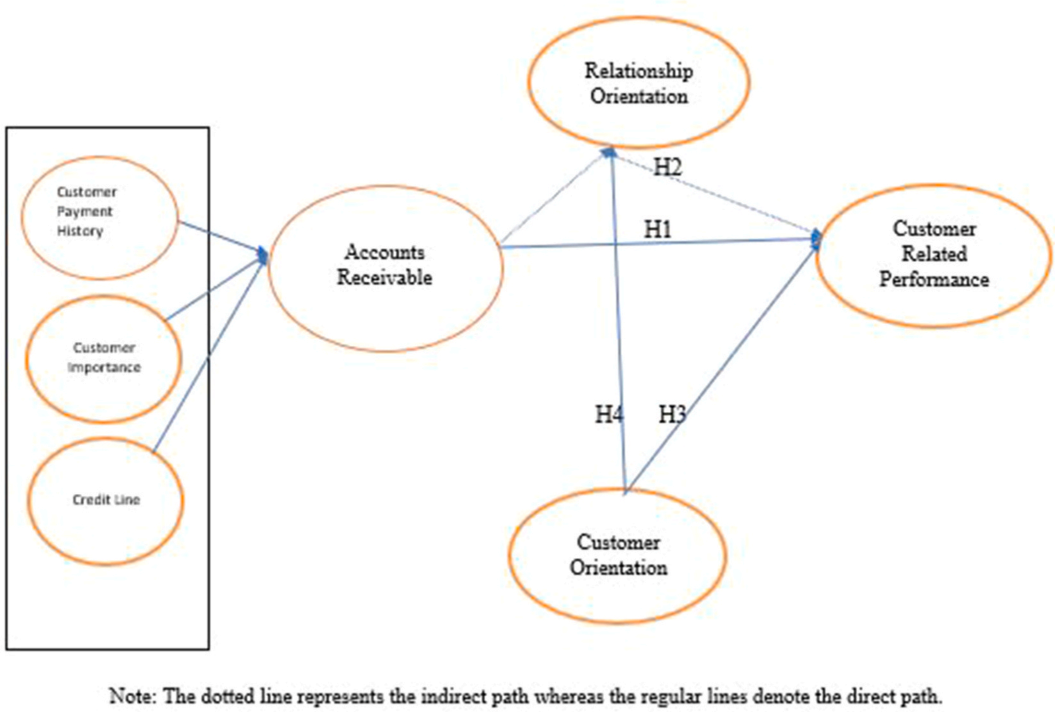

Fig. 1. Proposed model.

One, the credit risk assessment of customers may be possible due to the existing relationship of the salesperson with the customers, and second, the seller firm itself may have a stake in the quality of the retailer with its products that are showcased by a retailer and for which the seller firm provides major advances and support benefits (Telser, 1960).

For transactions that involve a high cost to arrange asynchronous trade in merchandise and payment (for example, in transactions involving the shipping of a product from the supplier to the retailer), where the customer (retailer) is more susceptible to fraud, the exchange is better contracted if the retailer claims ownership of the merchandise before making payments to the manufacturer expanding credit in the meantime (Smith, 1987). Emery (1987) argued that firms with higher seasonal sales may encourage retailers to keep larger inventories during off-peak times by adjusting the policies of trade credit over time. Thus, by adopting various credit practices, firms invest resources into a credit-administration workforce and systems, on an increasingly decentralized premise (Christie et al., 2003; Murfin and Petersen, 2016) to enable an efficient credit recovery system while balancing it with customers who are trade borrowers having a stable and growing business who are creditworthy (Song et al., 2019). Large firms often have specific captive finance subsidiaries for credit-granting and credit-assortment functions. Smith and Warner (1979) contended that verifying the claim of a creditor, helps to control the issue of asset substitution and brings down regulatory, enforcement, and dispossession costs. Stulz and Johnson (1985) proposed that the choice of issuing verifying debt would allow a firm to segregate the cash flows from its new ventures, subsequently helping to control the under-investment problem. These safety provisions will probably be more substantial when a firm intends to expand its accounts receivables. The associative drawback of account receivable is the plausibility of default. It is widely argued that 'giving credit is a 'necessary evil' – something that requires to be done to generate repeat business and sustain an aggressive position' (Song et al., 2019).

2.2. Salesperson's customer orientation

The salesperson's customer orientation is defined as, the degree to which the salesperson addresses the customer's needs and interests at the different stages of the sales encounter (Saxe and Weitz, 1982). In contrast to the sales orientation, Saxe and Weitz (1982) introduce the concept of salesperson-customer orientation. It was suggested that while long haul benefits can accrue to customer-oriented salespersons, at least two types of costs are often incurred. In the first place, the salespersons exercise customer-oriented selling approaches that may concede short-term returns for long-term profits. Second, extra effort is expected from customer-oriented salespeople compared to sales-oriented salespersons. Notably, customer-oriented salespeople need to engage with customers in unraveling customers' needs and deliver products and services that give a definitive advantage to the customer to achieve customer satisfaction. Generally, five significant phases of selling involve (Jobber and Lancaster, 2019): (1) identification of the need, (2) presentation, (3) objection handling, (4) negotiation, and (5) closing.

A key performance metric for a salesperson in the need identification phase would be to explicitly understand the need of a customer. It often happens in the first few sales encounters (Homburg et al., 2011). Second, customer orientation is demonstrated at the presentation level by providing products that correlate to customer preferences, while also emphasizing customer-specific advantages (Dwyer et al., 2000). Third, the conflict "ingrained in buyer-seller relationships" (Malhotra 1999, 118) would possibly become apparent in the sales encounter's objection handling stage. Customer-oriented sales representatives use a collaborative strategy (Weitz and Bradford, 1999) through an effective sharing of knowledge and developing mutually-beneficial choices ingeniously. Fourth, because the approach to collaborative effort cannot be extended to all irreconcilable circumstances (Weitz and Bradford, 1999), it is important to find a mutually acceptable understanding of the negotiation stage. Here, customer orientation is demonstrated as a concern for customer interests. Fifth, closing a sale is "generally straightforward" for customer-oriented salespeople (Brooksbank, 1995, 62). Salespeople focus on information (Saxe and Weitz, 1982) rather than using explicit influencing strategies that consumers often see as deceptive and trust-diminishing (Hawes et al., 1996).

The salesperson, the firm and the customer can all benefit from using a customer-focused sales style instead of a sales-focused approach (Goff et al., 1997). Sales representatives who are more customer-focused tend to gain greater sales efficiency (Singh and Venugopal, 2015). Also, highly customer-oriented sales representatives can understand and appreciate their service role and therefore face minimal job burden over other low customer-oriented reps, as high customer orientation diminishes role conflict and equivocalness (Leckie et al., 2017; Saxe and Weitz, 1982). In a study on residential real estate brokers, it was found that the best sales performers were are far more customer-oriented than the average performers despite both having nearly equal experiences (Dunlap et al., 1988). Firms with a customer-centered structure, an organisational design that aligns each business unit with a distinct customer segment, are expected to demonstrate superior performance compared to internally structured firms (Lee et al., 2015). When a salesperson engages in customer-directed extra-role behaviour, s/he has a stronger positive effect on sales efficiency (Miao and Wang, 2016). Several studies (e.g., Babin and Boles, 1998); Boles et al. (2001), and Terho et al. (2015)) yield comparable results under different settings. From the narrative assessment of existing customer orientation literature, Schwepker (2003) has inferred that both commercial and retail businesses benefit from customer orientation. Similarly, other studies have found that sales reps' customer orientation centers on the individual customer-contact level, and mirrors the sales reps' propensity to address customer needs (Brown et al., 2002). MacKay (1988) accepted that the customers are inclined towards "the finest" salesmen, while Peterson (1988) asserted that efficient sales reps work to meets the customer's needs.

2.3. Salesperson relationship orientation

Relationship marketing has been defined by Hunt and Morgan (1994, p23) as "all marketing exercises coordinated to build, create and sustain productive relationship exchanges in … manufacturers, laterals, purchasers and internal partnerships." By building up a valid measurement scale, Yau et al. (2000) may be the first to clarify what they have characterized as a relationship marketing orientation (RMO). Tse et al. (2004) have identified the association between the position of an organization in a highly competitive setting and competent strategies to use. The RMO measure suggested by Yau et al.'s (2000) consists of empathy, reciprocity, and trust. Wilson (1995) stated: "Relationship execution involves improvements in organizational culture and incentive structures to promote behaviors that contribute to trust, shared interests and adaptation … " Day (2000, 24) reported that a relationship orientation is one that "must invade the organization's attitude, values, and norms." Ndubisi (2014) proposed a multidimensional construct encompassing the three dimensions namely trust, commitment, and satisfaction for relationship orientation.

Contemporary views also emphasise the importance of salespeople adopting an orientation of relational selling and working in relationship cultivation, facilitating of information and consultative capacity to improve salesperson performance (Hartmann and Rutherford, 2015; Rapp et al., 2014). The relationships that salespeople build with customers, work on building interpersonal trust and commitment (Garbarino and Johnson, 1999). The trust in a salesperson is built through multiple encounters in which the consumer learns that the salesperson is reliable, knowledgeable, trustworthy, rational, compassionate, and responsible (Larzelere and Huston, 1980). A relational selling approach increases the ethical treatment, trust, and purchase intentions of the customers (Bateman & Valentine, 2015). Creating interpersonal trust has significant advantages, including maximizing customer satisfaction (Jap, 2001). The model proposed by Dwyer et al. (1987) identified five phases of relationship development, namely awareness, exploration, growth, maturity, and decline. The degree of customer trust and commitment to the sales representative varies at each stage. The partnership generally begins with the stage of awareness where both parties become aware of the existence of the other without any direct communication. The exploration phase is the quest period, in which each party calculates the benefit and loss of the relationship. In the exploration phase, the sales representative intends to establish customers' trust. Importantly, the customer will trust in the integrity and reliability of the sales representative, before the customer starts trusting the sales representative (Jap, 2001). Sales representatives help in moving the relationship beyond the stage of exploration by responding to customers' concerns and building customer satisfaction. Conversely, when sales representatives fail to meet and address objections effectively, no trust may be established and efforts to establish a relationship are influenced adversely (Jap, 2001). In such circumstances, the major challenge is to adjust the information transfer to customers in ways that enhance the rapport with the customers and ensure the trust is strengthened by the sales representative (DeWitt and Brady, 2003; Nickels et al., 1983). Based on the multidisciplinary research of the rapport studies, Gremler and Gwinner (2000) have highlighted that rapport is a product of the experiences that both parties enjoy and through which they develop a strong relationship. The relationship in itself continues through the process of build-up, where the sales rep has already developed trust, and then the emphasis shifts to building the commitment of the customer to the relationship. At the maturity phase, customers are explicitly or implicitly committed to the relationship, intending to achieve equitable benefits for all parties. The final phase is the dissolution, wherein the customer no longer needs the sales representative's assistance. Crosby (1991) proposed that sales and service teams could enhance partnerships by value-added activities like progressive transformation, social encouragement, product/service rationalization, problem-solving, customization, and labour substitution. A salesperson establishes and maintains a long-term, cooperative customer relationship that focuses on 'expanding the pie' of common benefit instead of competing over a slice of pie (Jap, 1999; Lussier and Hall, 2018).

2.4. Customer-related performance

From the Balance Score Card viewpoint (Kaplan and Atkinson, 1998), a business has its own particular set of value-creating processes for customers. The business will attract and retain customers and satisfy their expectations by creating the value that the customers are looking for. Satisfaction, loyalty behaviours, and reputation are considered as customer-related performance measures (Tournois, 2015). Karpen et al. (2015) include perceived value, satisfaction, affective commitment, trust, repurchase intentions, and positive word-of-mouth as indicators of customer-related performance. Thus, the customer performance construct represents a composite indicator of customer satisfaction and loyalty (Gonzalez et al., 2005). To create a competitive advantage, businesses continuously seek to be seen by their customers as being customer-centric (Lee et al., 2015; Shah et al., 2006). The customer concern of a salesperson is an emotional commitment that has proven to be a powerful motivator linked to a higher standard of efficiency. (Brown et al., 1997). The process of satisfying the needs of customers should be an inherently pleasing experience for customer-oriented salespeople (Brown et al., 2002). Distribution channels (Weitz and Bradford, 1999) and selling (Williams and Attaway, 1996; Wilson, 2000) are well integrated systems that focus on customer-centric approaches to the customers to maintain and enhance their trust and loyalty by proving value-added services. This is due to the relationship-specific investments made by both parties in the relationship throughout the development process of the relationship. Such investments can take the form of capital, resources, commitment, among others. The magnitude of involvement of each party may vary with the amount of capital investment and the severity of the swapping costs (Garbarino and Johnson, 1999), as well as the other party's effectiveness in reciprocating the gesture (Crosby and Cowles, 1986). The underlying presumption of companies engaged in mutual buyer-seller relationships is that both parties consider the alliance to be profitable in the long-run (Dwyer et al., 1987). Typically, close effective relationships are characterized by an environment of collaboration and transparency (Garbarino and Johnson, 1999; Morgan and Hunt, 1994). Customers tend to rely heavily on their relationship with sales representatives and often the longevity of the relationship depends on the follow-up service (Johnson-O'-Connor, O'Connor and Zultowski, 1984). If an organization is seen as giving priority to its customers by offering superior customer value, likely, customers would eventually develop loyalty intentions (Gulati, 2007; Lee et al., 2015). Salespersons at their end may strengthen this relationship and their position with the customer by providing the customer with useful information and recommending measures to ensure that the transaction is more profitable (Frazier and Summers, 1984; O'Neal, 1989). Customers who are satisfied with the association are less inclined to leave their relationship, are less willing to sue other members of the channel, and are less likely to seek legal recourse (Hunt and Nevin, 1974).

From the above discussion, it is clear that all the constructs are important and their interdependence with each other is explored by various research streams in sales literature. The role of account receivables as discussed earlier has been studied previously, but to the best of the authors' knowledge, the sales literature lacks the body of knowledge that links AR with customer-related performance in the sales context. The focus of earlier researchers on account receivable is more on the firms' financial performance. The previous research has not attempted to explore the consequence of better AR management on customer-related performances and building long-term sustainable relationships with customers which is a salient mechanism of a salesperson's performance. The role of salesperson relationship orientation as a mediator between these two constructs has also not been explored in the extant literature. Moreover, a salesperson's customer orientation which is an established construct is considered vis a vis AR as an antecedent that was not studied synchronously in earlier studies. This study tries to fill this lacuna in sales literature, where a better salesperson relationship orientation and excellent salesforce customer-related performance, could be realized without ignoring the importance of the customer orientation of the salesperson through a systematic and comprehensive account receivable system. These are some important research gaps identified in this research article based on which the following objectives are proposed.

1. To examine the relationship between AR and customer-related performance
2. To examine the role of salesperson relationship orientation as a facilitator between AR and customer-related performances.
3. To examine the role of salesperson customer orientation on customer-related performances.
4. To examine the role of salesperson customer orientation on salesperson relationship orientation.

Based on this research objective, the hypotheses for this research study are proposed and discussed below.

3. Theoretical background and hypotheses development

Salek (2005) discussed the relationship between accounts receivable by salespersons with their performance and suggests that the performance of the receivable's asset is a customer service barometer. The key challenge in controlling credit risk is to sustain the requirement for credit transactions, and the profits from such transactions are extended to a customer against the perceived credit risk. Over time, with customer experience, companies may offer to sell lower amounts on open credit to see whether the customer pays on time. Notably, better credit control also leads to a higher quality of customer service and cost minimisation. Every invoice generated by an erroneous or revoked agreement is prone to be refuted, resulting in lower cash flow, rework, and reduced customer satisfaction.

Enabling customers to purchase on credit increases their willingness to buy. This benefit may outweigh the potential cost of customer default (Arya et al., 2006). Customer-related performance has a direct effect on the asset's quality and collectability and is a primary driver of the cost of controlling the revenue source of a firm. A standard formulation for this would be strong customer loyalty + invoice amount = Outstanding receivables.

This definition applies even though the receivables' key management features (i.e., payment monitoring and collections) weren't accessible. Thus, effective order fulfilment processes along with better credit policies drive high customer satisfaction (Salek, 2005). Based on the same, the following hypothesis is formulated:

H1. Better Accounts Receivable management by salespersons has a positive and significant relationship with Customer related Performance.

Often, when there is a long-term customer relationship, credit managers are more likely to allow the firm to exceed its credit limit (Schauffer, 2002). Wilner (2000) argued that a supportive supplier would be prepared to help a customer with short-term financial difficulties because of the opportunity to establish an ongoing and mutually beneficial relationship. When the relationship progresses and the knowledge of the customer's creditworthiness increases, payments are more likely to be accepted in terms of post shipments. In other words, the question of hold-ups decreases considerably, especially concerning regular purchases (Mateut, 2014). Moreover, when a relationship between customer and supplier is strong, buyers facing better credit terms prefer to help their less profitable suppliers, provided they are economically viable (Giannetti et al., 2011). Since the salesperson has the closest interaction with the customer, it helps him/her to collect credit from the customer by establishing a personal relationship, which in turn makes it harder for the customers to delay payments (Schauffer, 2002). Moreover, relationship marketing requires sellers to become more mindful of the preferences and needs of their customers. Customer awareness enables sellers to adapt their sales activities to best suit the customer's specifications. The concept of relationship-orientation implies both behavioral and attitude assessments of an existing relationship with specific reference to other future interactions (Kelley and Tybout, 1978). Relatively high relationship status means that the effect of the existing arrangement is equivalent to or greater than the expected impact of the next best option to minimize switching costs (Williamson, 1979). High-ranking sales representatives should therefore be able to retain their customers either by persuading them to continue their services or by up-trading on the value chain. Based on the discussion above, the following hypotheses may be established:

H2. Salesperson Relationship Orientation positively mediates the relationship between Accounts Receivable management by salespersons and Customer related Performance.

Sales representatives are often the only representative of the supplier firm that a consumer encounters, so the individual sales rep's emphasis on meeting customer requirements is a significant area of investigation (Crosby et al., 1990). In particular, if a company's salesperson intends to identify customer requirements, participate in problem-solving sales strategies, and conduct low-pressure sales (Homburg et al., 2011; Saxe and Weitz, 1982), customers may infer that the organization considers the interests of the customer to be extremely important. In general, as sales representatives are the main mediators between an organization and its customers, they play a significant role throughout the sales process (Palmatier et al., 2007; Sirdeshmukh et al., 2002). Saxe and Weitz (1982) noted the association between customer orientation and the performance of a salesperson; furthermore, this was also the subject of an empirical investigation by Sujan et al. (1994). Saxe and Weitz (1982) identified a significant association between the CO score and the performance of salespeople who showed a high willingness to serve a customer. A salesperson's implementation of a customer-oriented sales approach is significantly related to customer satisfaction with the sales representative and indirectly to the satisfaction with the firm (Goff et al., 1997). In light of the above discussions, the following hypothesis is developed:

H3. Salesperson's Customer Orientation has a positive relationship with Customer related Performance.

A contemporary prerequisite for a sales professional is to help build strong alliances and strengthen collaboration with customers (Hunter and Perreault, 2007, 16). Consumer-oriented behaviors have become a key element in establishing a relationship in the new selling environment, such as identifying consumers' preferences and customizing the offer (Cannon and Perreault, 1999; Palmatier et al., 2007). Saxe and Weitz (1982) proposed along with Williams and Wiener (1990) that customer orientation is an acquired trait that may be linked to environmental variables; in fact, it is a mechanism of adaptation that develops over time. Generally, empirical findings suggest a powerful correlation between consumer perceptions of the salesperson's CO and satisfaction, trust, vis a vis the salesperson's relationship development skill (Stock and Hoyer, 2005; Williams and Attaway, 1996). Customer-oriented sales benefit both the salesperson and his/her organization because it does have a strong association with customer relationships (Williams and Attaway, 1996). Besides, effective marketing relationships include a customer-oriented strategy that understands customer concerns, co-creates customer engagement, increases customer satisfaction, and resolves conflicts and consumer disputes (Schwepker, 2003; Sheth and Sharma, 2008; Weitz and Bradford, 1999). In light of the discussions, the following hypothesis is posited:

H4. Salesperson's Customer Orientation has a positive relationship with Salesperson Relationship Orientation.

4. Research methodology

4.1. Sample selection and data collection

We collected data using a self-administered questionnaire which was administrated to sales executives who participated in executive education at the Indian Institute of Management Calcutta in Kolkata, India. The convenience sampling method was adopted. The questionnaire was split into two sections. The first section was related to items measuring constructs drawn from the extant literature. The second section of the questionnaire consisted of questions related to the demographic details of the participants. All constructs were measured on a 5-point Likert scale anchored by (1) 'strongly disagree' to (5) 'strongly agree.' Participants were told there were no correct or incorrect answers, and when the word 'customer' appears in any item, the participants had to choose one particular customer with whom they have faced the problem of managing credit policy (dealer/distributor or end consumer to whom they sell directly), to avoid any confusion among the respondents. A total of 241 respondents participated in the study, out of the 360-questionnaires distributed. Data were then examined for an unengaged response, missing values, and influential outliers. Out of the 241 responses, 224 were finally identified as being appropriate for data analysis.

4.2. Measures

The measurement scales for customer orientation (CO) and

Relationship Orientation (RO) were adopted from existing studies and were only included after a careful and meticulous investigation of the scale items. For instance, CO was adopted from the SOCO scale by Saxe and Weitz (1982), while RO was adopted from Sin et al. (2002) scale on relationship orientation, and customized according to relationship aspects, taking a cue from Claycomb and Martin's (2001) measure on personal relationships. Thus, we came up with a 3-item adaptive measure on RO, customized to the context of our research. It included the aspects of a firm's salesperson's flexibility to serve their customer needs, and communicate with them regularly. The authors conceptualized all other measures, which were pre-tested and included in the questionnaire. We developed measures (items) then tested them with 30 respondents, and then refined them and pre-tested again. The participants were senior salespersons from the various industries having at least 10 years of experience in sales. Once the measures were found to suitable for our research context, these were then included in the final questionnaire.

4.3. Data analysis

The proposed model was analyzed using SmartPLS v. 3.2.8 Software by adopting Partial least squares structural equation modelling (PLS-SEM). PLS is an equation modelling approach focused on variances in parameters in contrast to structural equation modelling based on co-variances such as LISREL and AMOS (Henseler et al., 2009). The PLS-SEM method is suitable for research studies with relatively small sample sizes (in our case, N = 224) (Hair et al., 2014) and is more appropriate for predictive rather than confirmatory analysis of the relationships (Fornell and Bookstein, 1982). It also does not necessitate that the data be distributed normally, because it uses bootstrapping to empirically determine the standard error for its parameter estimates (Gefen et al., 2011; Henseler et al., 2012). Also, constructs with fewer items may be used as well. In our study, two constructs namely, Credit line and Relationship Orientation had two items each; hence, this characteristic was found to be important and relevant for our study. This method also facilitates the simultaneous analysis of reflective and formative constructed models (Hair et al., 2014). In our study, all constructs of first-order have a reflective measurement in which the measures are seen as a function of the latent variable (Hair et al., 2011; Hair et al., 2010). However, the second-order construct (account receivable) has a formative estimate because first-order factors are assumed to generate second-order factors, i.e. variations in the first-order factors will result in changes in the underlying variables (Podsakoff et al., 2003). Additionally, employing PLS offers results (path estimates, factor loadings, and path difference), that is corresponding to previous studies, and makes them comparable.

The suggested model was evaluated in two stages. The measurement model was initially estimated, in which the measurement constructs' reliability and validity were determined. The path model was then determined to evaluate the significance and strength of the relations between the model constructs. The non-parametric bootstrapping technique was employed with 5000 resamples (Amaro and Duarte, 2015).

5. Results

5.1. Sample characteristics

In our sample of 224 respondents, 94% were male, representative of the salesforce of several Indian firms. 40% were undergraduates, while the remaining had graduate degrees. The work experience of the respondents varied across both products and service industries, while their sales experience was in the range of 1–10 years, with a median of 5 years.

5.2. Assessment of the measurement model

The study focused on the reliability of the items, as well as to establish convergent validity of the reflective constructs, as determined by their loadings and level of significance, the average variance extracted (AVE) by the constructs, composite reliability (CR), and their internal consistency (Cronbach's α). All measurements were found to be robust in terms of their reliability, as the Cronbach's alpha of all constructs was higher than 0.7, except for Customer Importance with Cronbach's alpha 0.642; nevertheless, this is still above the permissible 0.6 thresholds (Hair et al., 2010). The composite reliability which most researchers consider to be more applicable for PLS-SEM than Cronbach's alpha (e.g. Hair et al., 2011; Henseler et al., 2009), varies from 0.789 to 0.889, which exceeds the required threshold value of 0.70 (Bagozzi and Yi, 1988). Factor loadings of all the variables are statistically significant and >0.5 threshold level (Chin, 1998; Henseler et al., 2009). The average variance extracted (AVEs) of all the constructs were higher than the threshold of 0.50, suggesting that the constructs had satisfactory convergent validity (Hair et al., 2014) of the constructs.

Three methods were used to test the discriminatory validity of the constructs (Table 1). First, the cross-loading of all the indicators on their constructs as well as on other constructs was examined. Cross-loadings of the indicators were found to be higher on their constructs than any other constructs. Second, the validity check criteria of Fornell and Larcker (1981) was employed. At level 0.05 (2-tailed), all the inter-construct correlations were significant. This implies there's no threat among the constructs from multicollinearity. As shown in Table 2, the square roots of the AVEs of all constructs are greater than the inter-construct correlation, thereby demonstrating a satisfactorily discriminant validity (Fornell and Larcker, 1981).

Third, the heterotrait-monotrait connection ratio (HTMT) approach (Henseler et al., 2015) was used to test the discriminant validity. All HTMT ratios (see Table 3) were lower than 0.90 levels (Henseler et al., 2015) and the HTMT inference criteria tested by complete bootstrapping revealed that the upper confidence limits (97.5 percent) were all less than 1 (ranging from 0.250 to 0.889), indicating that there are no discriminant validity concerns in this study.

5.3. Common method bias

In the PLS-SEM context, common method bias is a phenomenon induced by the measurement method used in the SEM analysis. The guidelines at the beginning of a survey questionnaire may affect the responses provided by different respondents in the same general direction, allowing the measures to share certain common variance. A further potential source of common method bias (CMB) is the implicit social desirability correlated with answering questions in a particular manner in a questionnaire, which again allows the measures to show some common variance (Podsakoff et al., 2003; Podsakoff and Organ, 1986). To initially verify CMB, a one-factor Harmon test (Podsakoff and Organ, 1986) was performed on the four variables in our theoretical model. The result from this test shows that four factors are present and the one factor which accounted for most of the explained covariance was only 26.99%, which indicates that CMB is likely not going to contaminate our data. We then conducted a full-collinearity test for all the factors individually by deleting all the paths among them and then connecting to one factor at a time with reaming factors. The presence of VIF greater than 3.3 is known to be pathological collinear and could also imply that the model could be affected by CMB (Kock, 2015). The results of the full-collinearity test show that all (factor-level) VIF are lower than 3.3 for all the factors. Hence, the model may be considered as free from CMB.

The formative construct proposed in this model – account receivable is a second-order construct. The tests for a second-order factor model follows the same procedure, as it was used to examine the first-order factors (Chin, 1998). Assessment of measurement quality was conducted in two stages, initially the level of the first-order construct (done

Table 1
Standardized factor loading, reliability, and validity estimate.

Name of the Construct	Cronbach's alpha	Factor Loading	AVE	Composite Reliability
Customer Orientation	0.810		0.724	0.887
I try to offer a product that is best suited to my customer.		**0.833**		
I try to find out what kind of product would be most helpful to my customer.		**0.896**		
I try to answer my customers' questions about products as correctly as I can.		**0.822**		
Credit line	**0.730**		**0.787**	**0.881**
This customer enjoys the usual credit period like other customers of my company		**0.892**		
This customer enjoys the usual credit line like other customers of my company		**0.883**		
Customer Importance	**0.642**		**0.507**	**0.789**
This customer is an important customer of my company.		**0.786**		
This customer is likely to sell more than other customers of my company.		**0.781**		
I would like to continue the relationship with this customer, notwithstanding the credit-related issues.		**0.773**		
This customer would like to continue the relationship with my company, notwithstanding the credit-related issues.		**0.404**		
Customer Payment History	**0.814**		**0.728**	**0.889**
This customer has breached credit period in the past quite often.		**0.868**		
The customer is likely to breach the credit policy in the near future.		**0.848**		
This customer often has overdue payments (does not pay due to receivables within the credit period)		**0.844**		
Relationship Orientation	**0.701**		**0.746**	**0.854**
I want to develop a close relationship with customers and to sell them subscriptions that are in their best long-term interests.		**0.857**		
I place a strong emphasis on 'growing' customers, those who have the potential to grow over time.		**0.871**		
Customer-related Performance	**0.813**		**0.618**	**0.828**
I am certain about how satisfied my customers are generally about my performance.		**0.698**		
I am certain about what my customers expect from me in performing my job.		**0.843**		
I am certain about my service commitments to my customers.		**0.810**		

Table 2
Descriptive Correlation and Square root of AVE.

	Credit line	Customer importance	Customer payment history	Customer Orientation	Customer-related performance	Relationship Orientation
Credit line	**0.901**					
Customer importance	0.460[a]	**0.71**				
Customer payment history	-0.125 (.062)	-0.272[a]	**0.875**			
Customer Orientation	0.281[a]	0.324[a]	-0.149*	**0.763**		
Customer related performance	0.299[a]	0.457[a]	-0.247[a]	0.458[a]	**0.869**	
Relationship Orientation	0.259[a]	0.499[a]	-0.266[a]	0.445[a]	0.528[a]	**0.884**

Note-The diagonal elements (in bold) are the square roots of all constructs' AVEs.
[a] Correlation is Significant at 0.05 level (2-tailed).

earlier for reflective first-order model) and then the second-order construct level, where the first-order constructs serve as indicators (Hair et al., 2010). The path coefficient of the first-order constructs on the second-order constructs and their significance level were analyzed (see Table 4) to determine if each first-order construct does contribute to the formation of the second-order constructs (Chin, 1998; Hair et al., 2011). Notably, the weights of the lower-order constructs are critical for formative higher-order constructs.

We observe (see Table 4) that all first-order constructs (i.e. Credit Line, Customer Importance and Customer payment history) are logically conceptualized and relevant for the formation of a formative second-order construct; therefore, they represent adequate validity (Hair et al., 2011; Urbach and Ahlemann, 2010). Multicollinearity is desirable for constructs with reflective measures, while excessive multi-collinearity in first-order formative constructs may result in spurious results (Diamantopoulos and Winklhofer, 2001). Therefore, the Variance Inflation Factor (VIF) is determined to check multicollinearity. The values range from 1.009 to 1.138 which is below the threshold cut-off of 5 (Hair et al., 2011).

5.3.1. *Assessment of the path model*

The path model or the inner model assessment was conducted (See Fig. 2) to test the hypothesized relationship between the constructs in the proposed conceptual framework (Hair et al., 2014). Henseler, Hubona, and Ray (2015) suggested considering standardized root mean square residual (SRMR) as the provisional criteria for the model fit. A

Table 3
Heterotrait-monotrait ratio of correlations (HTMT).

	Credit line	Customer importance	Customer payment history	Customer Orientation	Customer-related performance	Relationship Orientation
Credit line						
Customer importance	0.650					
Customer payment history	0.250	0.291				
Customer Orientation	0.303	0.299	0.294			
Customer related performance	0.504	0.737	0.354	0.313		
Relationship Orientation	0.597	0.889	0.272	0.328	0.845	

Table 4
Formative construct validity.

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/ STDEV|)	P Values
Credit Line - > Accounts Receivable	0.381	0.379	0.050	7.626	0.000
Customer Importance - > Accounts Receivable	0.633	0.631	0.046	13.663	0.000
Customer Payment History - > Accounts Receivable	0.397	0.377	0.096	4.126	0.000

SRMR value < 0.08 is considered an appropriate fit. The findings in this study (SRMR = 0.089) are quite close to the required cut-off, therefore indicate a reasonable fit model. Furthermore, R^2 values were found to be above the 0.10 level, as recommended by Falk and Miller (1992) (Relationship Orientation: 0.189 and Customer related performance: 0.258).

The salesperson relationship orientation as a mediator between account receivable and customer-related performance is examined by running pls algorithm with 5000 bootstrapped resamples. The relationship between the direct paths of the model is first examined, and then specific indirect effect between account receivable with customer-related performance through salesperson relationship orientation is measured (Henseler et al., 2009; Hair et al., 2017). All the paths (direct & indirect) are found to be statistically significant, which signifies that salesperson relationship orientation positively mediates the relationship between account receivable and customer-related performance. As both direct and indirect paths are significant and point in the same direction it can be said that the mediation is complementary (Zhao et al., 2010), closely corresponding to (Baron and Kenny, 1986), partial mediation.

It is evident (Table 5) that all the path coefficients are significant, and all the proposed hypotheses were supported. In the second hypothesis, relationship orientation is considered as a mediator between AR and CRP. The results show that both the direct and indirect paths were significant and hence, the salesperson relationship orientation partially mediates the relation between account receivable and customer-related performance.

6. Discussion

Our study highlights several important findings pertaining to the management of credit policy by the salesforce, and how to account receivable management by the salesforce results in better customer-related performance, and strengthens the relationship orientation with customers. The findings also suggest that by using a customer-orientated approach, the salesforce can develop strong bondage with the customer, which may further improve customer-related performance by the salespeople.

This study conceptualized the construct of account receivables with the help of three important components, which include customer payment history, customer importance, and credit line. From extant literature, it has been well-established that the historical records of customer fair credit policy do play a significant role in determining account receivable by salespersons (Avery et al., 2004). The role of giving importance to a credible customer by continuing the relationship with him/her, notwithstanding credit-related issues, is another major contributor to account receivable (Salek, 2005). The third important factor is related to the credit period and the credit line of the customer provided by the firm's salesperson. In the present study, all these factors significantly contributed to determining account receivable, which is aligned with the previous studies.

The first hypothesis (H1) is about the relationship between account receivable by salesperson and customer-related performance. In the present study, this relationship is found to be significant. By enabling sales credit to customers, where they enjoy the usual credit period and credit line, their propensity to purchase increases. This in turn results in more orders from the customers and reduces the chances of potential default (Arya et al., 2006). A well-managed credit policy for the

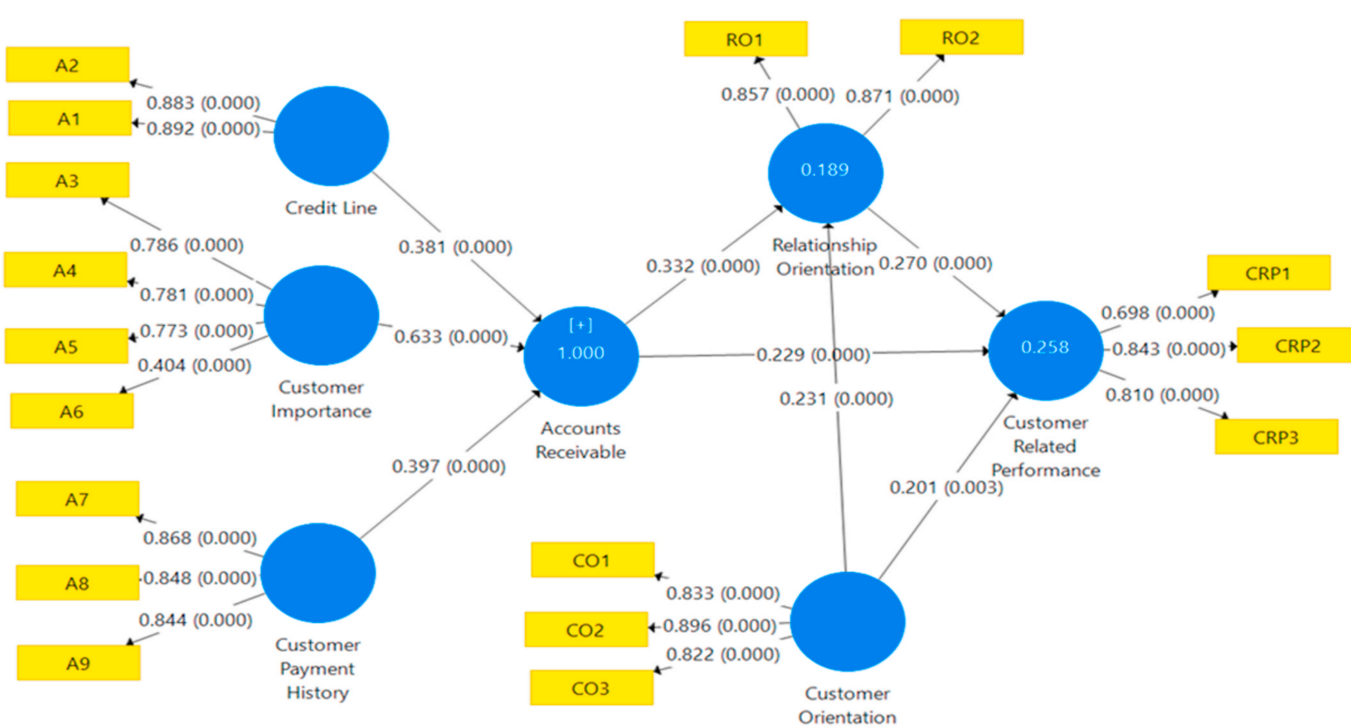

Fig. 2. Path analysis of the model.

Table 5
Path estimation for conceptual model.

Hypothesis	Path	Path Co-efficient	t-value	P-Value	Support
H1	AR→CRP	0.229	3.621	0.000	Supported
H2	AR→RO	0.332	5.849	0.000	Supported
	RO→CRP	0.270	3.766	0.000	Supported
	AR→RO→CRP (Indirect Path)	0.093 (Mean)	2.953	0.003	Supported
H3	CO→CRP	0.223	3.135	0.002	Supported
H4	CO→RO	0.238	3.764	0.000	Supported

customer and his/her order fulfilment leads to a better customer-related performance by the salesforce. The current study supports that through better account receivable management, salespeople do become certain about their role in customer satisfaction, also in terms of what a customer expects from them in terms of their service commitments. All these factors put together leads to significant improvement in customer-related performance.

The second hypothesis (H2) relates the account receivable (AR) by the salesperson and customer-related performance (CRP), where salesperson relationship orientation acts as a mediator. The current study supports this hypothesis as both the direct and indirect paths are significant which shows that relationship orientation partially mediates the relationship between AR and CRP. To establish stronger bondage with suppliers, salespeople often tend to stretch the credit limit and provide some flexibility in account receivable (Schauffer, 2002). In relationship selling, the salesperson tries to develop a close relationship with their customers and sells them the product/service in their best long-term interest, which positively impacts customer's trust and develops loyalty intentions (Lee et al., 2015). This results in a close relationship building measure between a customer and the salesperson. Importantly, this kind of sales subscription serves the long-term interests of both parties. Moreover, over a period of time, there is an increase in creditworthiness, whereby customers tend to receive better credit terms from the salesperson; in fact, they even support their less profitable suppliers when the relationship in terms of account receivable is sound (Giannetti et al., 2011). The present study supports this relationship by developing a strong emphasis on 'growing' customers, with the potential to grow further over time. This results in improved customer-related performance, such as when a salesperson chooses to customize their selling efforts to meet customer expectations, to serve them better, and enhance their satisfaction. Hence, salesforce emphasizing on 'growth customers' by using better credit terms results in improved salesperson relationship orientation and which further improves customer-related performances.

In the third hypothesis (H3) the relationship between salesperson's customer orientation is tested with salesperson customer-related performance and found to be significant. Additionally, the finding supports that a salesperson who identified the requirement of the customer and also offered products best suited to the customer's needs does result in better customer-related performance, whereby the customer perceives that his/her best interest is taken care of (Homburg et al., 2011). Importantly, in a customer-orientated approach, where the salesperson not only offers the best-suited product, but also help their customers to select the right product, and answers customer queries honestly, helps in creating building blocks of improved customer-related performance. The present finding concurs with the earlier work by Saxe and Weitz (1982) and by Sujan et al. (1994).

In the fourth hypothesis (H4), the relationship between salesperson's customer orientation is tested with salesperson relationship orientation and found to be positive and significant. This finding is in the line with previous research that suggests that salesperson customer orientation, such as problem-solving approach by the salesforce along with adaptability based on the customer's requirement are indeed the key elements of relationship building (Cannon and Perreault, 1999; Palmatier et al., 2007). Customer-oriented approach results in customer satisfaction, trust, and co-creates customer loyalty, which in turn leads to developing a stronger relationship. Hence, the customer-oriented approach by salespersons who give importance to customers' concerns, resolve their problems and conflicts, certainly builds a stronger and sustainable relationship with the customers, which ultimately improves the relationship orientation of the salesperson. Hence, all four hypotheses proposed in this study are supported.

6.1. Theoretical and managerial implications of the study

The current study attempts to fill an important theoretical void in the literature on credit sales and customer-related performance, which we studied using customer relationship orientation and customer-related performance. The findings support the role of better credit management system policy within a firm to establish better salesperson relationship orientation and customer-related performances. These findings are encouraging, as prior studies have not given much emphasis on how to account receivable by the salesperson can be used as an important factor for salesforce effectiveness. Moreover, this study also supports extant literature looking into the positive relationship between salesperson customer orientation with customer-related performances (Goff et al., 1997; Saxe and Weitz, 1982; Sujan et al., 1994) and relationship orientation (Sheth and Sharma, 2008; Stock and Hoyer, 2005; Weitz and Bradford, 1999; Williams and Attaway, 1996). It helps in generalizing their findings while emphasizing the important role of these constructs along with better credit management with customers. This study also supports the role of better salesperson relationship orientation, which in fact, is an antecedent of improved customer-related performances. Overall, the present study tries to add an important role of account receivable management with existing literature on sales management.

This study also points out some significant managerial learnings. In today's global economy, sales are intricately linked to credit given to customers. Not every sale is a cash sale, and not every customer would buy on advance payment. Therefore, customer credit is a lever that needs to be managed carefully, as it has huge implications to generate a receivables asset, which is one of the biggest tangible assets on a firm's annual balance sheet. The finding of this study suggests that the role of account receivable is not limited to increase customer propensity to buy more, increase future cash flows, or reduce bad debts and losses. The implications in fact spill over to providing access to capital for customer firms (such as firm's dealers), as the customers may not always be able to raise capital through conventional channels. Doing so, should also not compromise the development and maintenance of the relationship with the customers and/or the sales performance of the salesperson. Sales managers, on the other hand, need to think that a better credit management system can be used as an important tool for customer satisfaction, which in turn would build strong customer loyalty, decreasing thereby the administrative burden on the salesforce, and lower administrative costs in the entire revenue cycle. Excellence in receivables management is a mixture of both art and science; it includes business processes, technical resources, workforce expertise, motivation, company culture, shifting behaviour of both customers and employees, appropriate organizational structure, metrics incentives, and versatility to cope with evolving external influences. Moreover, as discussed earlier, the efficiency of the receivables' resources makes for excellent customer service yardstick. As salespersons are directly interacting with customers, they need to build a strong long-lasting relationship by implementing good practices of sales credit policies. Sales managers need to focus on the salesperson's customer-orientated approach, while the salespeople must be ready to help their customers by offering and helping them the best-suited product/s as per their requirements, being honest and sincere all through in answering customers' questions. Holistically, this would help in building trust and a strong relationship with the customer, which in turn would improve customer-related performance and reduce costs.

6.2. Limitations and conclusion

The present study has some important limitations. Our study is limited to a sample of 224 sales managers in one country, and therefore may not be representative of all types of selling contexts. Moreover, the participants are from various industries with a median experience of 5 years. Future studies may try to find out the role of account receivable and customer orientation in specific industries with the help of a larger sample under different cultural contexts to generalize the findings of this study. Moreover, the current study is tested on some of the important constructs of sales literature, but future studies may use different combinations of constructs from extant sales literature to explore more nuanced relationships. A firm's credit policies do play an important role in account receivable management, and it may be considered in future studies as an important moderator too. This study has been conducted on salespersons, in which the role of senior management has not been taken into consideration. The role of top executives cannot be overemphasized in executing these strategies; hence, future research may think of exploring this aspect too.

Nevertheless, despite all limitations, this study does have some novelty in terms of its contribution to sales literature. We have attempted to explore the important role of account receivable vis a vis salesperson's customer orientation. Earlier studies on account receivable by the salesperson have mainly focused on better accounting, financial practices, and selling more on credit. Whereas this study has proposed the idea of better salesperson relationship orientation and exceptional customer-related performance by salesforce, which could be achieved through a robust account receivable system without ignoring the importance of the salesperson's customer orientation. The salesperson's customer orientation does help in developing relationship orientation among the salespersons, leading thereby to better customer-related performances while reducing costs.

Declaration of competing interest

The authors reported no potential conflict of interest.

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