The Mediating Effect of Knowledge Management on Customer Orientation and Job Performance of Salespeople

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ABSTRACT

Service industry has been growing fast recently in Taiwan. Its gross output and number of employed persons exceed manufacturing industry and become the biggest industry. In addition, in the face of the global competition, in order to increase competiveness of salespeople, they need not only to provide the best customer service but also to pay more attention to knowledge management. This study uses customer orientation as the antecedent, job performance as the dependent variable, and knowledge management as the mediator to examine the mediating effect of knowledge management on customer orientation and job performance of salespersons. Data were collected from salespersons who work in insurance sales, direct sales, retail sales, department stores counter, and real estate. Total 420 copies of questionnaires were dispatched and 339 copies were collected with response rate 74%. The study finds that customer orientation and knowledge management is positively and significantly affected to job performance, and knowledge management has a partial mediation effect to customer orientation and job performance.

Keywords: Customer orientation, Knowledge Management, Job performance.

INTRODUCTION

In the recent year, service industry has been as one of developmental indices for the industrialized countries. Taiwan is no longer dependent on manufacturing and original equipment manufacturer (OEM) to make profits. According to Taiwan manpower statistics in 2008, the number of employed persons in service industry is growing to 6.036 million, and it occupies 58.02% of total employment population. Service industry has been growing fast. Its gross output and number of employed persons exceed manufacturing industry and become the biggest industry. While confronting with the global competition, salespersons not only need to provide the best service to customers but also pay much attention to customer satisfaction to increase their competitiveness, service industry and all other industries have to undertake severe challenge. Salespersons have to learn how to copy with competition and keep a good performance in order to survive. They need not only to provide the best customer service but also to pay more attention to customer satisfaction to increase their competitiveness. Kelly (1992) indicates that service characteristics contain intangibility, heterogeneity, and inseparability. These characteristics make the processes of service as an important factor in customer perceived quality, and they will directly affect customer purchase and repurchase behavior.

Customer orientation usually reflects a salesperson’s confidence to satisfy customer need and his or her willingness to interact and service them (Brown, Mowen, Donavan & Licata, 2002). Customer orientation is a key profitability factor to a business (Rohit et.al., 1993; Dunlap, Dotson, & Chambers,
1988), and it is also a business’s goal in the practice of marketing management (Narver & Slater, 1990; Ganesan, 1994). Allport (1961) believes that personality refers to an individual’s psychological system and a unique trait which can decide a person’s thinking and behavior. Thus, every salesperson will behave according to his or her personality. Customer will perceive service quality through salespersons’ behavioral delivery. Therefore, different salespersons may act differently and cause customers perceive the difference of service quality. Drucker (1993) proposes the idea of Knowledge Worker to outline the future environment of workplace and career of future worker. It emphasizes on the management of knowledge staff. Knowledge staff is that a salesperson acquires new knowledge through sales innovation or external sales resource and integrates it into a systematic sales knowledge. Moreover, knowledge management is a cycle process. In order to transfer knowledge to workers effectively, an organization has to build trust and consensus culture to fit and support knowledge transfer. Only by knowledge management system, an organization can learn continuously and make best use of knowledge.

From above, one can realize that customer orientation and knowledge management can help to improve a salesperson’s performance. Accordingly, the study is aimed to examine the influence of customer orientation and knowledge management on job performance, the influence of knowledge management on job performance, and whether knowledge management is a mediator between customer orientation and job performance.

**LITERATURE REVIEW**

**Customer Orientation**

Kotler (1980) suggests that customer orientation can be regarded as the application of marketing concepts in salespersons service and customer interaction. A professional salesperson needs expertise to meet with a customer’s expectation and requirement, and he or she should not doubt what she or she is going to sell? Instead, he or she has to ask what the best way to solve a customer’s question is. This is so called customer orientation. Saxe and Weitz (1982) pinpoints that customer orientation is salespersons perform marketing concepts in the process of customer interaction. That is to say, when an exchange between a salesperson and a customer occurs, a salesperson can utilize marketing concepts to help customer to make a satisfaction decision. Narver and Slater (1990) further illustrate that customer orientation is a value chain to understand a customer, and it is a marketing concept to put customers’ benefits on first priority. Customer orientation implies a salesperson’s tendency and motivation to pamper the customer, to read customer’s needs, to develop interpersonal relationship, and to deliver the required service (Donavan et al., 2004).

 Kelly (1992) assumes that the role of customer orientation in service industry is more important than in other industries, and it is an important factor in customer quality perception. The performance of a sales representative’s behavior on customer contact will directly impact on a customer purchase and repurchase action. In addition, a high customer orientation in a salesperson’s service can lead to enhance customer satisfaction (Goff et al., 1997), and it will also help an organization to develop a long term relationship with a customer (Dunlap, Dotson, & Chambers, 1988; Kelly, 1992; Williams & Attaway, 1996). Rohit et al. (1993) suggest that customer orientation is an organization’s belief to put customers’ benefits at first place to develop long term profitability. Customer orientation indicates that a sales representative’s confidence to fit customer needs (Brown et al., 2002), to pay attention to a long term customer satisfaction, and to avoid sacrificing customer benefits in order to increase a short term sales
(Franke & Park, 2006). Hence, the more customer orientation a salesperson is the more his or her ability and willingness to serve and interact with customers is.

Furthermore, more and more researchers have studied on the topics of customer orientation recently. Some discussed the issues in the view of organizations, some in individuals, some in explanations, and some in work value and attitude of service commitments (Chambers, 1988; Kelly, 1992; Hartline et al., 2000; Williams & Attaway, 1996; Rohit et al., 1993; Brown et al., 2002; Donavan et al., 2004; Huang, 2005; Peccei & Rosenthal, 2001). Service industry emphasizes person to person service, and service quality relies on the performance of customer contact and customer interaction (Hartline et al., 2000; Huang, 2005; Peccei & Rosenthal, 2001). From literature reviews on above, the study is aimed to explore how to satisfy customer needs and increase their satisfaction and how to build interdependence and mutual trust relationship with a customer.

Knowledge Management

Stewart (1997) indicates that intellectual capital is the sum of knowledge and an employee’s ability to render a competitive advantage for an organization. He believes that any knowledge that can create fortune and information and become intellectual property and experience is called intellectual capital. The practice of knowledge management lies in building a mechanism to stimulate an employee’s participation and to utilize knowledge system to cultivate corporate innovation and group creativeness. He further suggests that knowledge economy will cause business from relying on the capital accumulation to the knowledge accumulation gradually, and the measurement of a successful business should be based on the construction of innovative ability and core competences. Thus, in order to succeed, a business must store intellectual capital and practice knowledge management thoroughly. Polanyi (1966) proposes knowledge can be divided into explicit and implicit knowledge. Explicit knowledge is knowledge which can be formalized, institutionalized and transferred through verbal statements, words and numbers. Implicit knowledge is knowledge which is related to individuals and special scenarios and it is hard to be formalized and communicated. Howells (1996) supposes that implicit knowledge is knowledge that can not be edited and specified; it must be learned from unofficial process. Tang (2000) points out that the first step of knowledge management has to start knowledge innovation from an organization internally or externally. Internal organization knowledge can be built through learning, research and development, experience accumulation, learning by doing, and external organization knowledge can be sourced from suppliers, customers, and competitors. Thus, how to build innovative knowledge systematically is a big challenge. Knowledge management is intellectual capital which can be considered as a manageable asset. It can help an organization to innovate and adjust in the face of change and promote a corporate value. The mechanism of knowledge management can be separated into knowledge innovation, knowledge accumulation, knowledge diffusion, and knowledge transfer (Tan, Liu, & Tsai, 1999).

Knowledge innovation refers that all stable development organization will create and make best use of knowledge. An organization will interact with environment and transfer knowledge after information absorption. In the meantime, an organization will combine knowledge according to its own experience, value and internal rule and use it. Without knowledge, an organization can not organize itself and it can operate smoothly. Knowledge accumulation is organization memory from external or internal organization in order for an organization’s member and other organizations’ member to retrieve and refer at times. Davenport and Prusak (1998) divide into innovator and user and consider knowledge as an entity. Its main purpose is to put the implicit knowledge in the documents (e.g., memorandums, reports, or
papers) into a data bank for storing or retrieving. As for old and less constructed knowledge, employees can record it in the discussion area of a data bank according to the certain topic. Leonard-Barton (1995) applies knowledge based viewpoint to divide knowledge accumulation into three types: individual, organization, and entity facility. Individual is a company specific-owned technology and scientific ideal, organization is internal management system and culture value, and entity facility is data bank, machine, software program, testing data and customer information.

Knowledge diffusion is that knowledge itself holds an exclusive characteristic, and it must be willingness and has ability to open publicly in order to diffuse effectively (Grant, 1996). Moreover, Tang (2000) stresses that new knowledge diffusion must have an incentive mechanism to make employees happy to use knowledge bank. It is useless for setting up knowledge bank, if employees do not want to use it at work. Knowledge transfer is an indispensable procedure in the process of knowledge management. It is not only important to create knowledge but also to transfer and internalize new knowledge to employees at every department in the organization. An organization should enact knowledge transfer mechanism to make its employees to share, absorb, and apply knowledge to increase their ability and performance.

**Job Performance**

Performance is a term to describe performance level, and it is defined as an employee to finish a job in the incentive theory (Gray & Smeltzer, 1993). In addition, performance is meant to the overall performance of efficiency, effectiveness and efficacy in the organization, and the so called job performance refers that the quality and quantity of individual and group performance to complete a company’s mission (Schermrhorn, 1999). Briefly to say, job performance represents an individual contribution to the organizational goal, and any action performed on the job can be measured and evaluated. The performance dimension in a empirical study will differ according to research subject. The reason is because different industries have different goal and structure, so they will adopt different performance goal (Yu, 1996; Borman & Motowidlo, 1993; Sweson & Herche, 1994; Dunlap, Dotson & Chamber, 1988; Hsieh, 1999). Accordingly, performance is an evaluation of the degree of goal achievement of an action and a measurement to a specific goal achievement in an organization. Campbell (1990) suggests that job performance is a performance of an individual behavior to finish expectation, regulation or requirement of an organization. Su (1999) pointed out that job performance is the value, quality or quantity of an individual job contribution, that is, an employee’s productivity. Therefore, when employee productivity is high, the overall organizational performance will be high. Job performance always needs a measurement standard to evaluate the achievement of job goal.

In his behavior theory, Yu (1996) indicates that job performance distinguishes into professional role and unprofessional role, and Borman and Motowidlo (1993) categorize job performance into task performance and contextual performance. Because there are many ways to evaluate performance and each has its own advantages and disadvantages, most companies will combine more than one way to evaluate performance. The factors to choose an evaluation method better include industry characteristics, organization goal and organization culture, and the method must be best suitable and accurate to an organization. The study distinguishes salespersons’ job performance into task performance and situation performance. Task performance means that an organization member finishes organization task in a specified time or an employee’s job performance in a mission (Yu, 1996; Borman & Motowidlo, 1993; Su, 1999). Situation performance signifies that the proficiency of all activities contribute to organizational effectiveness except task activities (Yu, 1996; Borman & Motowidlo, 1993).
That is, when individuals face core techniques related to social and psychological environment, they will follow their own will to cooperate and help others and even the whole organization. Hence, situation performance is denoted as the enthusiasm of an individual’s willingness to execute unofficially regulated activities, finish tasks, cooperate and help others, and support and defend the organizational goal.

**Customer Orientation and Knowledge Management**

Customer orientation will make salespersons to adjust their selling methods as the environment changes. As a result, when salespersons encounter different customers and different selling situation, they can act with an appropriate response (Spiro & Weitz, 1990). Manning and Thorne (2002) maintains that it is not enough only to satisfy a customer needs, and salespersons nowadays require using technological equipments to understand customer experiences. In other words, knowledge must be effectively analyzed, stored and used through a suitable knowledge management, and it will help salespersons to intensify their ability to service quality and provide a customerized service. Moreover, a customer needs will differ according to products and customers themselves, and the more a salesperson interacts with a customer, the more knowledge can be obtained from customers. After knowledge is stored, shared and uses, a salesperson can be better to provide and satisfy customer needs.

**H1:** Customer orientation will be positively and significantly affected to knowledge management.

**Customer Orientation and Job Performance**

Goff et al. (1997) conclude that a salesperson adopts customer orientation method will result in the increase of customer satisfaction. Ramsey and Sohi (1997) find that customers’ expectation is positively correlated to salesperson trust, satisfaction, and interaction. Saxe and Weitz (1982) discover that customer orientation is positively related to salesperson performance. Furthermore, other researches show that customer orientation is positively correlated with customer relationship (Williams & Attaway, 1996) and is affected to salesperson performance (Sweson & Herche, 1994; Dunlap, Dotson & Chamber, 1988; Hsieh, 1999). Frankwick, Poter, and Crosby (2001) also point out that if a salesperson makes more contact service, it will promote, maintain or improve customers’ feelings and increase purchase intention. Accordingly, the study proposes hypothesis two as follow.

**H2:** Customer orientation is positively and significantly related to job performance.

**Knowledge Management and Job Performance**

Job performance means the value of one’s contribution to his or her work (i.e., an individual’s productivity). The basic concepts of knowledge management are the accumulation, store, retrieve, pass, feedback, and update of an organization’s internal data and transfers data into usable knowledge to reduce relearning and searching costs. It also means to keep and share an individual’s best professional knowledge and experience with other members in order to raise job performance. Thus, knowledge management not only can create the value of intellectual assets but also enhance an employee’s productivity and performance.

In the research of knowledge management and job performance, Cheng (1999) and Wu (2004) discover that the higher the operation performance of knowledge management is, the higher job performance is. Lin (2001), Wang (2002) and Huang (2002) suggest that the applications of knowledge management include knowledge creativeness, knowledge application, and knowledge transfer and all of these can increase an organization performance. In a study to examination of accounting departments in governments, workers in police offices, and emergency medical technicians in fire departments, Wu (2003), Yang (2004), and Kong (2004) find that knowledge management and job performance are positively and significantly correlated. Thus, the study proposes hypothesis three and four as follows:
\textit{H3: Knowledge management is significantly and positively affected to job performance.}
\textit{H4: Knowledge management mediates the effect of customer orientation on job performance.}

\textbf{METHODOLOGY}

\textbf{Research Framework}

In order to examine whether there is a mediating effect of knowledge management on customer orientation and job performance of salespersons, the research framework is as shown in Figure 1. Customer orientation is an antecedent, job performance is a dependent variable, and knowledge management is a mediating variable. The measurement item for customer orientation was adopted and revised from the study of Chen (2006). The definition of customer orientation is denoted as the efforts of salespeople to satisfy customers’ needs and increase their satisfaction as well as the attitudes and behavior tendencies to build interdependence and mutual trust relationship with customers. In addition, the study divides customer orientation into customer benefit orientation, sales orientation, and persuasion orientation. Customer benefit orientation is to provide customers’ needs from their viewpoints, and sales orientation is a sales technique to please customers for making sales. Persuasion orientation is a service behavior in order for customers to buy a product/service. Totally, there are eight questions in this measurement item and Cronbach’s \( \alpha \) is 0.724.

\textbf{Figure 1: Research framework}

In addition, the measurement item of knowledge management was adopted and revised from the research of Nonaka and Takeuchi (1995). There are three dimensions in knowledge management: knowledge creativeness, knowledge accumulation, and knowledge diffusion. Knowledge creativeness is a process of knowledge innovation. The approaches of knowledge innovation include research and development, response to competitors and customers. Knowledge accumulation is to build systematic knowledge bank to classify different knowledge and store it in the organization. There are three levels of knowledge management in knowledge accumulation: individual, organization, and information technology. Knowledge diffusion is the management activity to transmit new knowledge to individuals in the organization in order to achieve and share new knowledge. Knowledge management is properly
to apply an organization’s accumulated intellectual assets into a product/service to attain knowledge institutionalization. There are thirteen questions in knowledge management and Cronbach’α is 0.932. Moreover, according to classifications of Yu (1996), Schmitt and Borman (1993), Borman and Motowidlo (1993), and Su (1999), the study divides job performance into task mission and situation mission. Task performance means that an organization member finishes organization task in a specified time or an employee’s job performance in a mission. Situation performance signifies that the proficiency of all activities contribute to organizational effectiveness except task activities (Yu, 1996; Borman & Motowidlo, 1993). There are twelve questions in measuring job performance and Cronbach’α is 0.874.

Meantime, in order to avoid moderation effects from exogenous variables, the study control some demographic variables including gender, age, education, income. Also, the study collects data from six different types of salespersons in different businesses: insurance sales, car sales, direct sales, retail sales, department stores counter, and real estate brokers. All scales have been analyzed by factor analysis, and results showed that factor loading in each dimension is greater than 0.5 which means that the research scale has a good validity (Chiou, 2006), and all Cronbach’α is great than 0.7 which reveals that the research scale has a good reliability (Jung, 2009). Overall, the study has a good validity and reliability. The study uses questionnaire as a research tool. The measurement scale divides into five parts: customer orientation, personal characteristics, job performance, and individual background with a 7-point Likert scale 1-very disagree/7-very agree. Totally, 70 copies of questionnaires were dispatched to six different types of salespersons in different businesses, and 339 copies were returned. Excluding 27 invalid questionnaires, 312 copies were valid, and the effective response rate is 74%.

**ANALYSIS AND RESULTS**

In order to examine whether knowledge management will mediates the effect of customer orientation on job performance, the study adopts suggestions from the study of Baron and Kenny (1986) that three conditions must be hold to establish mediation. First, the independent variable must be shown to affect the dependent variable in the first equation. Then, the independent variable must affect the mediator in the second equation. Finally, the mediator must affect the dependent variable in the third equation. If these conditions are all in the predicted directions, the effect of the independent variable on the dependent variable must be less in third equation than in the second. Perfect mediation holds if the independent variable has no effect when the mediator is controlled.

As shown in Table 1, the standardized coefficient is 0.318 and adjusted $R^2$ is 0.141 in Model 1. Thus, customer orientation is significantly and positively affected to knowledge management and H1 is supported. Moreover, in Model 2 and Model 3, the standardized coefficient is 0.331 and 0.717 and adjusted $R^2$ is 0.162 and 0.548 respectively. The results show that customer orientation and knowledge management are significantly and positively affected to job performance and H2 and H3 are supported. Finally, customer orientation regresses with job performance by adding knowledge management as the mediator in Model 4. The results indicate that standardized coefficient of job performance is 0.680 and significantly, and the standardized coefficient of customer orientation decreases to 0.115 and significantly in Model 5. Consequently, knowledge management has a partial mediating effect on the relationship between customer orientation and job performance.
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<td>Dependent Variables</td>
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**p<0.01**

**CONCLUSIONS AND SUGGESTIONS**

The study adopts salespersons as research subject to examine the influences of customer orientation and knowledge management on job performance. The study finds that customer orientation and knowledge management is significantly and positively affected to job performance. In customer orientation respect, salespersons nowadays in the service industry need not only to provide the best service to customers but also to pay more attention to knowledge management to increase their competitiveness. Therefore, if a salesperson is not customer oriented, his or her performance must be affected. In addition, the results demonstrate that the knowledge management has a partial mediating effect on the relationship between customer orientation and job performance. It implies that it is not enough only to satisfy a customer needs, and it is also important for salespersons to develop customer needs by using knowledge management in order to understand customer experiences. In others words, knowledge management becomes more important to salespeople. It can analyze, store and use information effectively to enhance salespeople’s ability to provide a good quality and customerized service to customers. Moreover, a customer’s needs may not be the same. Thus, the more a salesperson interacts with a customer, the more knowledge can be obtained from customers. Besides, not only knowledge management can create the value of intellectual assets but also increase employees’ productivity and job performance. So, if salespersons can make best of knowledge management, it will greatly help them in customer service and job performance.

**REFERENCES**


