Value Creation and Organizational Sales Performance in the Nigeria Business Environment: A Study of SMEs.

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Abstract

The essential purpose for a seller and buyer engaging in a relationship is to work together in a way that creates value for the both of them. So improving sales performance has become very important for major companies globally as well as
in Nigeria. After years of recession-induced cost cutting, managers are putting increasing emphasis on implementing go-to-market strategies (i.e. market orientation) to boost the performance of sales, and since the virtue of sellers creating value for their customer results in loyal relationships as a result of repeated business exchanges between the customers and the firm. The findings of this empirical study confirmed that there would be a positive effect by value creation competence on firm sales performance and a good relationship development that exist between the sales person and the customer is influenced by customer orientation. This study offers a theoretical contribution by empirically establishing the links between value creation competence and firm sales performance.

**Keywords:** value, value creation, market orientation, buyer-seller relationship

**INTRODUCTION**

There has been a long consideration on the notion of the creation of value and the exchange of value which has widely been used for so long in the marketing discipline (Achim, Thomas, and Hans, 2001). The term value was seen by Anderson and Narus (1998, 2004) as “the cornerstone of business market management because of the important role that sales performance plays in business markets”. They argued that organizations should have a clear understanding of the things that the customers love and cherish by using the marketing information system (MKIS) so as to enable them develop value which is needed by the customers. However, some scholars are of the view that there exist a weak relationship between value, market orientation and organization and organizational performance, and it was discovered that market orientation has a positive relationship with an improved performance of the organization; however, there the level of performance of the organization depends on the samples and variables of the performance measured. (Cano, Carrillat and Jaramillo, 2004; Kirca, Jayachandran and Bearden, 2005; Kohli and Jaworski, 1990; Narver and Slater, 1990).

Although there has been helpful results on the studies of market orientation and organizational performance, however, the ability to analyse the significant effect and the instruments used for the creation of value are missing in previous researches, thus limiting the ability of gaining additional insight in the subject matter (Kirca et al., 2005). The aim of this study is to examine the arbitration
instrument which is used to influence the marketing orientation on the performance of an organization. Since it is argued that market orientation is a wide paradigm (which implies that it is an idea formed by combining several pieces together), it therefore covers the creation of intelligence, the distribution of intelligence within the organization, as well as how the organization responds to the market and the consequences (Jaworski and Kholi, 1993; Kohli and Jaworski, 1990).

Researchers in previous times have looked at the qualitative aspect of market orientation studies and organizational performance (i.e. the overall performance with respect to competition and others) rather than looking from the quantitative angle (which include the close rates, quota achievements, revenue, etc.). With respect to this, this study looks at the factors that affect the sales performance of organizations in a more recognized form (which include the close rates, quota achievements etc.).

It was discovered by McNaughton et al (2002) that there might be numerous linkable variables which could influence the positive effect of market orientation on the performance of an organization which could be developed by the acquisition of knowledge and skill in the process of constant relationship with the consumers.

Various research on relationship management have shown the virtue of sellers creating value for their customers and loyal relationship as disputed by repeated business exchanges flourish when the organization creates and deliver value to their customers. So arguments have been raised on this premise and questions have risen regarding the precise delineation of the organization’s value creation competence and the mechanism by which it influence organizational performance. So this study tries to solve this problem and as well define the value creation competence concept and also find empirical evidence from its positive effects on organizational sales performance.

This research work covers several sections all divided as introduction, literature review, hypotheses, methodology, population and sample size, data size, statistical tool, data analysis and hypothesis testing, summary, criticism/ limitation of the study and the references of the study.
LITERATURE REVIEW

One of the basic understanding of the most successful organizations around the globe is that business exist to create value for its customers, the employees in the organization and its investors, while also believing that there is a an indissolubly linkage between these three groups. Thus, the creation of a supportable value cannot be created for a group without its creation for other groups. A primary focus of value creation rests with the customers, but this cannot be achieved without the selection, developing and rewarding of the right employees while also compensating investors with a consistent attractive returns. It is with this that this paper review and compares the bone of contention of the research of other scholars. It must however be noted that the review of literatures in this research is based on a selective approach rather than an expansive approach.

Value Creation

Value creation can be defined as the ability of an action to bring about an increase in the worth of a product or service and a business in general. Organizations these days engage in value creation to create better value for its customers by creating a worthwhile product, and also improving the well being of its shareholders by compensating them with a higher dividend. It was suggested by Harmsen and Jensen (2004) that the creation of value must connect market demand with the capability of the organization, else there will be wastage of benefits which will be detrimental to both the customer and the seller. Value creation has the ability to have a proper understanding of the needs of customers and the strength of the expertise product service in which according to Ursula et al., (2012) the ability of value creation is defined as the ability of an organization to analyse, understand and turn the customer’s business needs to a greater solution for customers (Ursula, Robert and Vijaykumar; 2012, Pp. 266-173).
Market Orientation

Business organizations of today are moving in the direction of producing goods and services that are profitable to them, thus making them shift attention to market orientation. Market orientation could be described as the reaction and adjustment of a business to the needs of its customers. The decision to adjust themselves to customer needs is judged from the information gotten from the customer itself rather than what the organization thinks it is right for the customer. Most successful business and organizations engage in a market orientation approach (Jim Riley, 2012).

Kohli and Jaworski (1990: 25) defined market orientation as “the organization-wide generation of market intelligence, dissemination of the intelligence across departments and organization-wide responsiveness to it”. With this, market orientation is viewed by them as the actual implementation of the marketing concept and it provides a unifying focus for the effort and project of individual and department within the organization.

Buyer – seller relationship

A buyer is a person or organization that engages in the purchase of goods from the seller, he could be a manufacturer purchasing raw materials. There could be either a short term (i.e. low commitment purchases) relationship between the buyer and the seller or a long term relationship (i.e. regular purchase based on established agreements) between them. Both relationships have their own benefits and consequences. While short term relationship could be useful in the exploring a degree of flexibility, for instance the agreement of short term relationship allows a buyer to have the option of switching suppliers when next they want to purchase goods. This option is also of benefit to the market where the prices of goods unstable and where there is no long term commitment.

The consequence of short term relationship on the other hand is that there is little scope for payment and order flexibility, for instance, a new supplier that adopts a short term relationship approach will
require a fast payment method and a certain order. This kind of approach does not build trust and confidence between the parties, making the opportunity to share market information to be reduced.

The benefit of a long term relationship is that it helps to build the relationship between a buyer and a seller during a certain period of time. It further brings about a greater and stronger commitment from both parties. The implication of this is that there will be reliance on the seller by the buyer to order and pay up at any given time while also giving the buyer some discounts after a long lasting relationship have been established.

Based on the above statement, we now look deeper at the meaning of value creation. Looking at the customer’s perspective, value creation can be seen as the production of goods and the providing of services that are found to be consistently useful by the customers. Value creation in today’s environment is categorized on the product and process innovation and with an exclusive understanding of the needs of customers with ever-increasing speed and exactness. However, modern companies are able to initiate innovation and also supply an unresolved service if only they make full utilization of their employee’s commitment, energy and imagination. This implies that employees must also be valued so as for them to feel important and make them feel they are key to key to the organization’s goal which include the maximization of profit for an organization that is profit oriented and the achievement of laid down goals and objectives for non profit making organization. Value creation for investors on the other hand refers to the compensation with emphasis on a steadily high return on capital. This implies that there will be the requirement of strong revenue growth, likewise an attractive profit margin. The achievement of this by companies and organizations can only be done if a continuous value is delivered to its customers. If the primary reason for establishing a business is to create value, it then means that an organization should be defined in the context of its primary value adding activities. A simple analysis of this is that telecommunication giant MTN should view itself that its primary assignment is to provide mobile telecommunication services, while Dangote Plc should sense that its primary motive of entering business is to create varieties of food stuffs with international qualities.
In respect to (Holbrook, 1994:22) who asserted that the concept of value appreciates the underlying principle that guides transactions and exchanges. However, the concept and role of business relationship cannot be undermined in its ability to create value in the sales performance of organization in Nigeria. There have been numerous models by researchers on the relationship functions of business relationship in the last two decades. These functions however are fundamentally divided into two which are the direct functions and the indirect functions. The direct functions have been argued to have an immediate impact on the associate organization, while the indirect function is seen to have an askew effect on partners, the reason being that there is a direct and indirect connection with other relationships.

**Direct functions**

The direct functions are activities which the supplier organization and the customer organization engage in to create value to the supplier independently and without reliance with other relationships. An important element to most suppliers is “the cash flow customers” who remain loyal in buying a consistent amount of products which helps the supplier to realize a regular cash flow. However, there should be a difference between a profitable customer and a high volume customer. An organization must make profit so as to be able to survive, thus making the profit function an important element in the customer relationship. A supplier of an organization that wants to survive in the long run must have a profitable customer relationship because the amount of money that is realized from these kinds of relationships assist suppliers to fund other relationships that have different but also important functions.

Suppliers engage themselves in assured customer relationships which are seen as insurance cover in order to compensate for the difficulties encountered with other customers because of the level of uncertainties in today’s competitive markets. Suppliers that found themselves in depressed and turbulent market conditions are likely to end up in situations where the selling patterns and
agreements are not fulfilled. Any supplier in this situation need “emergency customers” who can help in bringing about some business though, it is likely to be less favourable.

**Indirect functions**

The indirect function of business relationships looks at the wider network and future effect. A business network can be defined as a set of two or more connected business relationships in which each exchange relation is between business firms”. The meaning of connected in this sense is that the length to which the exchange in one relation is dependent on the exchange in other relation. Indirect functions are thus helpful in positively affecting the exchange in other relationship.

Hence the following hypotheses were proposed.

H<sub>1</sub>: Value creation competence will positively affect firm performance.

H<sub>2</sub>: Value creation competence will positively impact the sellers’ ability to manage strategic accounts.

H<sub>3</sub>: Customers value creation competence will have a positive effect on the perception of the relationship between the selling firm and the buying firm.

H<sub>4</sub>: strategic management account will have no effect on customer perception
METHODOLOGY

A cross sectional survey design was adopted to examine value creation and sales performance in the Nigeria business environment. This study also follows an anova research strategy and helps in predicting behavior, thus justifying the use of survey research. (Bordens and Abbott, 2002). It also examine whether or not a relationship exists between the variables of study (Kerlinger, 1973). Data was generated from respondents of Small and medium enterprise in Nigeria on a wide basis relating to value creation and sales performance.

The population adopted for this study included small and medium enterprise in Nigeria, while the population sample was restricted to small and medium enterprise based in Lagos, since there exist

Source: Researcher’s field survey 2013
more than average percentage of them in Lagos State, thus making the state a good representation of manufacturing companies in Nigeria.

The field research assistants helped in administering the questionnaire on small and medium enterprise in Lagos state. Companies in this state established the sample frame which was considered as a representative of the population from which the sample was drawn. The questionnaire targeted sales representatives which were approached and persuaded to fill the questionnaire. Companies that did not participate were uninterested or hesitant to release information to the researcher, while others premised their refusal on the management policy in the organization.

The technique used in the selection of participating manufacturing firm was a stratified random sampling technique in which a total of 250 copies of the questionnaire were distributed. 215 were completely filled and returned, thus representing a 86% response rate. The units of analysis were constituted by the participating manufacturing firms, while the adoption of primary data method was justified as it is the quickest and simplest of the tools to use, if publication is the aim (Bain, 1995).

The sampling frame was stratified according to company’s size and industry type. The population size includes 62 SMEs in Lagos state, Nigeria. While the sample size for the study includes 250 sales representatives from the companies. Primary data were the data type used in this study. As data were directly collected from the managers of the various SMEs in Lagos state, Nigeria.

A five point likert scale questionnaire was the research instrument used in the research, which was sent to managers of different companies in Nigeria. This research made use of linear regression model to test and make a decision about the effect of strategic orientation on the organizational performance. A 5 point likert scale was also used to generate the questionnaire which ranges from strongly agree, agree, indifferent, disagree and strongly disagree.
### Table 1

**Descriptive statistics.**

<table>
<thead>
<tr>
<th>Construct</th>
<th>Mean</th>
<th>Variance</th>
<th>S.D</th>
<th>Skewness</th>
<th>Kurtosis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value creation</td>
<td>4.502</td>
<td>.037</td>
<td>1.078</td>
<td>-.576</td>
<td>-.254</td>
</tr>
<tr>
<td>Sales performance</td>
<td>4.378</td>
<td>.047</td>
<td>0.938</td>
<td>-.598</td>
<td>-.598</td>
</tr>
</tbody>
</table>

Source: Researcher’s Survey 2013

### ANOVA

**Table 2**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of Estimate</th>
<th>Change Statistics</th>
<th>R Square Change</th>
<th>F Change</th>
<th>df1</th>
<th>df2</th>
<th>Sig. F Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.808*</td>
<td>.653</td>
<td>.650</td>
<td>.98426</td>
<td>.653</td>
<td>218.339</td>
<td>1</td>
<td>116</td>
<td>.000</td>
<td></td>
</tr>
</tbody>
</table>

**Dependent Variable: Entrepreneur performance**

*p < 0.05

### Coefficients*

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>95.0% Confidence Interval for B</th>
<th>1</th>
<th>OC3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td></td>
<td>Lower Bound</td>
<td>Upper Bound</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>.069</td>
<td>.269</td>
<td>.257</td>
<td>.798</td>
<td>-.464</td>
<td>.602</td>
</tr>
<tr>
<td></td>
<td>OC3</td>
<td>.922</td>
<td>.062</td>
<td>.808</td>
<td>14.776</td>
<td>.000</td>
<td>.799</td>
</tr>
</tbody>
</table>
Hypothesis (Ho1) was tested through correlations coefficient test. Pearson’s product moment correlations coefficient (0.808) indicates that there is significant relationship between value creation and firm performance. Therefore, the null hypothesis of no significant relationship is rejected. Thus, there is a significant relationship between value creation and firm performance. Hypothesis (Ho2) was tested by a means of a Regression Analysis. The results of the regression reveal that value creation will impact the seller’s ability to manage strategic accounts see Table 2. Table 2 shows the analysis of variance of the fitted regression equation in significant with F value of 218.339. This is an indication that the model is a good one. It shows a statistically significant relationship between the variables at 95% confidence level. Therefore, the null hypothesis of no significant impacted is rejected.

The hypotheses have all portrayed a direct and positive relationship that value creation competence might have on a seller’s performance, the seller’s strategic account management ability and the relationship knowing belief between the buyer and seller. Although, various scholars have conceptualized that links should exist between value and firm performance (Chang and Chen, 1998; McNaughton et al., 2002) but very little studies have been done to show these links. So Sanchez et al. (2010) tested a model of mediation between value creation and firm performance but were not able to show the indirect links between the two constructs.

So fig 1 shows a solution to the missing intervening mechanism that should link value and firm performance by showing a casual linkage that leads value creation competence to strategic account management to relationship perception and finally to the seller’s performance. By testing whether, this mediation is supported; the result can contribute to the theoretical development of value creation in demonstrating and validating the steps that lead from value competency to performance implications and because of this, the final hypothesis include
SUMMARY

These research or article review aims to the relationship between value creation and organizational sales performance in the Nigerian business environment. The study makes contribution to the existing literature on the topic of value creation and sales performance. This study tries to link value creation and firm sales performance together and the result confirm that value creation competence influences strategic account management and relationship perceptions.

This study also shows the effects of value creation as it might be perceived from a lack of value offered from competitive alternatives. The findings made from this study has shown to have useful implication for managers as the findings can help firms to identify what they need to do in order to turn value creation competence into increased firm sales performance as long as the value provided is well developed by the seller and these study shows that industrial buyers are much more sophisticated than before (Monczka, Handfield, Guinipero and Patterson, 2009) and even developed their own models so that they can compare the benefits with the costs put forward by multiple sellers (Andersen et al, 2009).

LIMITATIONS, GAP IN LITERATURE AND CRITICISM

Every research work is not without limitations and the limitations that cropped up from this study are listed as follows, thus the limitations of this study emanates from the fact that the study examines the seller’s perspective, not including the voice of the buyer into the relationship and if this was done, it would have provided a clearer picture of the intervening linkage between a firm’s value creation competence and firm’s performance. It has shown that access to this type of data is rare and so, the gathering of this type of data would provide a clearer picture of the intervening linkage between a firm’s value creation competence and firm sale performance. It further limited its research into the value co-creation perspective (Grönroos, 2011) and how the independent outcome of the interaction of both the buyer and seller could not be achieved.
REFERENCE


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