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Is Sales Competition A Good Motivator or a Bad Idea? The Underlying Mechanism of Threat Appraisals

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ABSTRACT

The common logic for competition in sales organizations is simple: as salespeople compete with one another, the sales performance of the entire group should increase. Some prior research has supported this notion, while other studies suggested that competition may adversely affect employees. Our research finds both positions have merit, as a salesperson's perceptions of a competitive psychological climate (CPC) increase sales performance and turnover intentions. To explain this countervailing effect, we turn to cognitive appraisal theory to demonstrate that salesperson appraisal of the environment motivates their behavior. Specifically, salesperson threat appraisals act as a mediator between CPC to performance and turnover, identifying an underlying mechanism and negative relationships for both. We further uncover learning orientation as a moderator of the competitive psychological climate – threat relationship, thus identifying a variable that enables the benefits while minimizing the drawbacks of utilizing competition in the sales force.

Keywords: *Sales, Competition, Threat, Cognitive Appraisal Theory*

INTRODUCTION

"I always feel pressure. I've always said the day I'm not nervous playing is the day I quit." Tiger Woods

Sales managers commonly use competition to motivate salesperson effort. The concept is simple – if a salesperson tries to outsell others, each sells more products, improving the sales team's and the organization's performance. Sales organizations often design compensation plans, bonuses, and incentives to intensify competition between individual salespeople or sales teams (Brown et al., 1998). However, some question its overall efficacy and impact on sales teams. For example, Wells Fargo and Canada's TD Bank have been in the news for using highly competitive practices that led to increased frontline employee lying, creating unauthorized accounts, and other fraudulent behavior (McLeod, 2017). In practice, competition in sales can have good and bad effects – we investigate how competition produces various outcomes and offer suggestions to mitigate the adverse effects.

From a scholarly perspective, experts differ in their opinions on intra-organizational competition, and research shows mixed effects. Whereas some research (e.g., Brown et al., 1998) extols the motivational benefits of competition, others argue that fostering competition is seldom, if ever, beneficial (Reeve & Deci, 1996). Competition promises essential benefits to sales managers by motivating and focusing salesperson effort on critical tasks and metrics (Brown et al., 1998). Although these benefits make competition attractive for managers seeking to increase performance, extant research has not provided a clear understanding of its effects or guidelines for its use. For example, research has also identified harmful effects of competition, such as *decreased* intrinsic motivation, cooperation, creativity, and performance (Jelinek & Ahearne, 2006). Our research illustrates this paradox by proposing competing outcomes, both a positive (sales performance) and a negative (turnover intention) effect that results from increased salesperson perceptions of competition. In addition, we look to an underlying mechanism to explain why competition can produce differential, and negative effects.

We investigate the tenets of our study through the lens of competitive climate. Consistent with a long-standing stream of research on competitive psychological climate (CPC: Brown et al., 1998; Hochstein et al., 2017), we posit that salespeople interpret intramural competition in terms of its implications for their status and well-being within an organization. As salespeople compare themselves to others, they aim to be better (Schrock et al., 2021). To varying degrees, salespeople may perceive intramural competition as a threat to one's status and well-being. The more threatened a salesperson appraises their environment, the lower sales performance and higher turnover intentions will likely result. Our findings result from a field study that pairs cross-sectional responses of salespeople to objective performance data. The results of this empirical investigation advance academic and practitioner knowledge by addressing the following questions: (1) Through what motivational path does competition impact sales performance? (2) Are there factors that allow for a competitive environment that increase sales performance while mitigating the adverse side effects that may occur from perceiving that climate as a threat?

BACKGROUND AND HYPOTHESES

Intramural sales competition motivates salespeople by making the distribution of rewards contingent upon outperforming other salespeople. We build on the well-established conceptualization of psychological climate, which describes an individual's perceptions of how

the work environment affects their goals, status, and well-being (Brown & Leigh, 1996; James et al., 2008). In other words, individuals that work in the same environment are likely to interpret competition differently, leading to appraisal variance. Understanding appraisals is crucial because the salesperson's appraisal of the environment is what motivates behavior.

Competitive Psychological Climate and Sales Performance

In line with prior research (e.g., Hochstein et al., 2017), this paper focuses on a salesperson's perception that the distribution of organizational rewards is contingent on performance relative to others (i.e., the competitive climate). Multiple studies have reported that CPC can have a positive effect on performance if utilized properly. For example, Brown et al. (1998) found that competitive salespeople set higher goals and achieved higher performance standards in a competitive climate. Schrock et al. (2016) and Spurr et al. (2019) report similar findings.

Interestingly, these studies often look at moderated relationships involving CPC – in other words, *under what conditions* does CPC lead to performance? In this work, we take a different approach by asking *how* competitive climate positively or negatively affects important outcomes like performance and turnover intentions. As represented in our conceptual model (see Figure 1), and as a first step toward addressing the question of *how*, we build upon this prior research by establishing that CPC can have a positive effect on sales performance.

H1. Competitive psychological climate is positively related to objective sales performance.

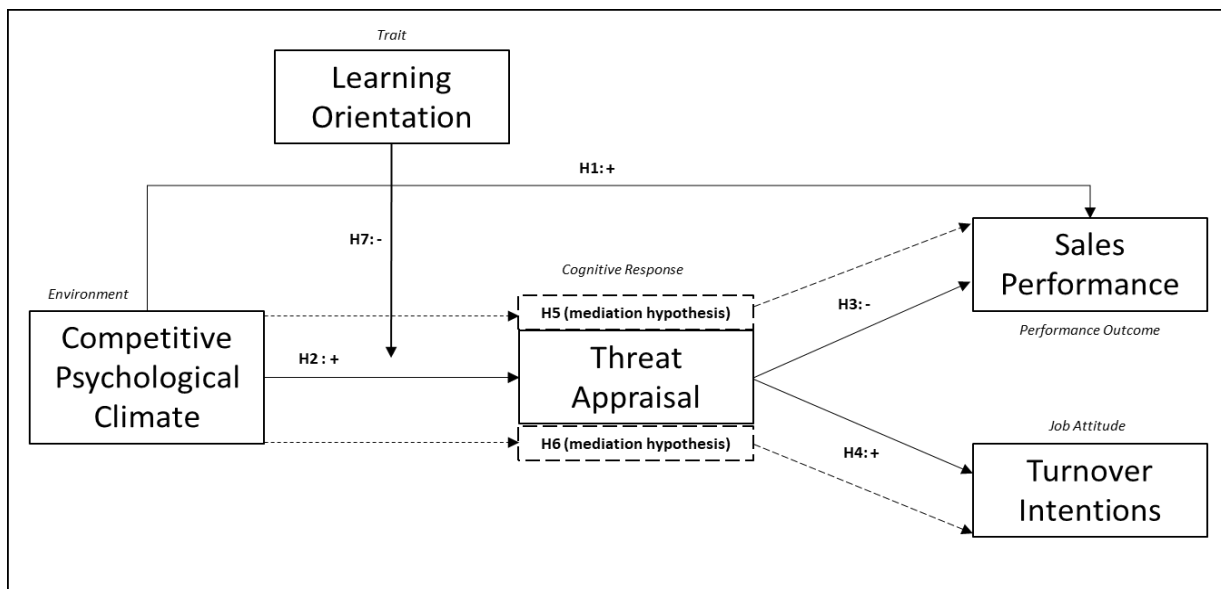


Figure 1: Conceptual Model

Competitive Psychological Climate, Threat, and Cognitive Appraisal Theory

To address the expected positive and negative effects of salesperson CPC, we investigate an underlying explanatory mechanism. When salespeople perceive their work environment has implications for their well-being, they interpret the nature of these implications and assess path-goal contingencies, task requirements, and resources available for coping with the situation (James & James, 1989; Lazarus, 1991; Lazarus & Folkman, 1984). Competition signals performance results will be public and that one's performance, good or bad, will be conspicuous. Competition motivates because it gives salespeople a personal and public stake in performing well.

Cognitive appraisal theory (Folkman et al., 1986a) holds that individuals interpret their environment through two levels of appraisal, primary and secondary. Primary appraisal refers to individuals' assessment of the personal relevance of the environment. As a primary appraisal, threat prompts defensive efforts to preserve personal interests and rumination on the potential public embarrassment and loss of rewards that accompany poor performance (Lazarus, 1991). These defensive efforts can transform the CPC into a threat appraisal. Secondary appraisal occurs as individuals consider coping resources to address the situation.

H2. Psychological competitive climate is positively related to threat appraisal.

As a secondary appraisal, threatened individuals become fixated on the problem as the intensity of the threat increases relative to their available coping resources, rendering them unable to adapt to find creative approaches to coping. Boichuck et al. (2014) described a phenomenon among newly-hired salespeople that repeatedly failed to meet their sales goals would rely more heavily on sales-oriented behaviors and less on creatively solving customer problems. In that study, salespeople who failed repeatedly believed they were unlikely to succeed and relied on short-term sales tactics. Similarly, we hypothesize that threat appraisals cause rumination on the outcomes of poor performance relative to peers. This rumination induces rigid selling tactics, narrows focus, and sabotages the salesperson's ability to perform at high levels, which reduces sales performance.

H3. Threat appraisal is negatively related to sales performance.

Researchers have studied the relationship between stress and employee turnover in different work settings. One study conducted among teachers found that threat appraisals reduced job satisfaction and increased turnover intentions (Sinclair et al., 2002). Likewise, a study of healthcare workers showed that job stress reduced the quality of work-life and increased turnover intentions. Sales research also demonstrates the negative impact of stressors on salespeople. Jaramillo and colleagues (2006) found that increased role stress led to higher turnover among salespeople. Westbrook and Peterson (2020) found that hindrance stressors, such as organizational politics and internal rules, led to burnout and turnover intentions. Firms that do not support salespeople with training and resources to handle excessive stress experience poor performance and turnover (Westbrook & Peterson, 2020). From a cognitive appraisal

perspective, salespeople that not have the resources or capabilities to perform the necessary tasks to compete successfully with their colleagues experience a negative stressor (threat). Like other harmful forms of work stress, we hypothesize that threat appraisals positively relate to turnover intentions.

H4. Threat appraisal is positively related to turnover intentions.

The Mediating Effect of Threat Appraisal

A stressful situation is when the perceived environmental demands significantly tax available resources and the outcome is personally relevant and uncertain (Pearsall et al., 2009). Threat appraisals occur when individuals perceive that they lack the necessary resources to succeed or that strenuous effort is required to avoid a negative outcome (Lazarus & Folkman, 1984). Given that competitive sales climates signal rewards are contingent on performance relative to others, as reported publicly, there is a high likelihood that the situation will be perceived as stressful and even threatening. Thus, we suggest that threat is a mechanism that can result from a CPC to reduce sales performance. In addition, when threat appraisal occurs, the likelihood of salesperson turnover will increase as the individual seeks to flee the threatening setting.

H5. Threat appraisal mediates the relationship between competitive psychological climate and objective sales performance.

H6. Threat appraisal mediates the relationship between competitive psychological climate and salesperson turnover intention.

Learning Orientation and Threat Appraisal

Researchers have long looked at the effects of salesperson goal-orientation on performance. Learning orientation, for example, is positively related to sales performance (e.g., Domingues et al., 2017; Sujana et al., 1994) and performance adaptation (Ahearne et al., 2010). Learning-oriented salespeople are motivated to improve their abilities and master their craft (i.e., sales activities). McFarland (2003) found that a learning orientation reduced the stress salespeople felt after using coercive selling tactics and that a learning orientation serves as a coping resource for salespeople that reduces experienced stress. Learning-oriented salespeople are attracted to challenges (Domingues et al., 2017; Harris et al., 2005) and are confident in their ability to persist through adversity (McFarland, 2003). Learning orientation is associated with higher self-efficacy and acts as a cognitive resource to reduce threat appraisals (Folkman et al., 1986b). We therefore expect learning orientation to mitigate the relationship between a competitive climate and threat appraisals.

H7. Learning orientation negatively moderates the relationship between psychological competitive climate and threat appraisal.

METHOD

Sample

We surveyed direct salespeople of a product/service solution that sells to executive-level customers in the United States. The salespeople work in an autonomous environment characterized by a combination of fixed and variable (~20/80%) compensation, where varying perceptions of a CPC exist. 428 questionnaires were distributed and management encouraged salespeople to participate. Overall, 332 surveys were returned, of which 219 were matched to 15-months (sales cycle) of objective performance data (usable response rate 51%). The sample of sales employees includes 32% female, 86.7% college degree, 28 months experience, and an average age of 31.7 years.

Measures

All measures utilized scales, where 1=strongly disagree and 7=strongly agree (items and details in Table 1, panel A). *Competitive psychological climate* utilized measures from Brown, Cron, and Slocum Jr (1998). *Threat* was measured using four items from (Zahn, 2011). *Learning orientation* was measured with three items adapted from Sujan, Weitz, and Kumar (1994). *Turnover intention* was a dependent variable and measured by the three-item scale adapted from Kelloway et al. (1999). *Sales Performance* represents objective performance data across 15 months. This operationalization is best categorized as a raw, outcome-based measure focused on between-individual comparisons (see Bolander et al. 2021). *Covariates* of salesperson age, education, trait competitiveness, and sales education represent factors expected to influence our model (e.g., Brown et al., 1998; Harris et al., 2005).

Analysis

The measurement model assessed the construct measures' reliability, convergent validity, and discriminant validity (Hair et al. 2016, p. 15-18). We evaluated convergent validity and all factor loadings were significant and greater than 0.7 (Anderson & Gerbing, 1988). Composite reliabilities (CR) for the latent constructs ranged from .81 to .92, and average variance extracted (AVE) ranged from .56 to .78, meeting the recommended thresholds. Discriminant validity was demonstrated by the Heterotrait-Monotrait Ratio (HTMT) values falling below the cutoff of 0.85 (Henseler, Ringle, and Sarstedt, 2015). In addition, we checked the existence of collinearity using variance inflation factors (VIF), and all values were less than 3 (O'Brien, 2007). Finally, common method variance (CMV) was not a major concern, given the multi-sourced dataset (Podsakoff et al., 2003). Table 1 (panel B) provides descriptive statistics of the constructs in this study.

Correlations and Descriptive Statistics

	Mean	SD	1	2	3	4	5	6	7	8	9
1. Competitive Climate	3.63	1.33	<i>.75</i>								
2. Learning Orientation	6.40	.57	-.11	<i>.77</i>							
3. Threat	3.27	1.35	.09	-.08	<i>.83</i>						
4. Performance	97.72	50.66	.14*	.01	-.30**	--					
5. Turnover Intention	2.07	1.19	.19**	-.12	.40**	-.28**	<i>.89</i>				
6. Trait Competitiveness	5.09	1.24	-.12	.23**	-.18**	.05	-.22**	<i>.85</i>			
7. Education	2.86	.55	.01	.16*	-.02	.04	.01	.001	--		
8. Age	2.36	1.21	.15*	-.26**	.003	.23**	-.10	.03	-.12	--	
9. Sales Education	1.84	.52	-.05	-.08	-.08	-.04	.04	-.007	-.04	.14*	--

The diagonal (italicized and bold) represents the square root of AVE.

*Correlation is significant at the .05 level (two-tailed), **Correlation is significant at the .01 level (two-tailed).

SEM-PLS Results

Path	Estimate	Significance
	β	t -stat
		p value
H1: CC → OSP	.19	2.71
H2: CC → TOINT	.20	2.83
H3: CC → THRT	.16	2.07
H4: THRT → OSP	-.34	-5.46
H5: THRT → TOINT	.29	4.69
H6: CC → THRT → OSP	Significant indirect effect = - 0.05 (95% CI: -.117 to -.004)	
H7: CC → THRT → TOINT	Significant indirect effect = 0.05 (95% CI: .003 to .010)	
H8: CC * LO → THRT	-.28	-2.72
Control variables		
TCO → OSP	.02	.29
TCO → TOINT	-.13	2.20
EDU → OSP	.06	.95
EDU → TOINT	.02	.37
Age → OSP	.24	4.18
Age → TOINT	-.11	1.84
Sales Ed → OSP	-.09	1.38
Sales Ed → TOINT	.06	.89

N = 219; Predictor variables: CC = Competitive climate; THRT = Threat; Dependent variables: OSP = Objective sales performance; TOINT = Turnover intention; Control variables: TCO = Trait competitive climate; EDU = Education; Sales Ed = Sales education.

Table 1. Construct items, Correlations, and Results

RESULTS

We used partial least squares structural equation modeling (PLS-SEM, Ringle, Wende, and Becker, 2014) to test the hypotheses. PLS-SEM is preferred because it maximizes the variance of the endogenous variables explained by the exogenous variables (Hair et al. 2016) and is superior when estimating mediation and conditional process models (Sarstedt, Hair Jr, Nitzl, Ringle, and Howard, 2020). As reported in Table 1, the relationship between CPC and objective sales performance is positive and significant ($\beta = .19, p = .007$), supporting hypothesis 1. Hypothesis 2 was supported, as CPC increases threat appraisal ($\beta = .16, p = .037$). Hypothesis 3 was supported by a direct negative effect of threat on objective sales performance ($\beta = -.34, p < .001$). We found support for hypothesis 4 ($\beta = .29, p < .001$), as threat appraisals are positively associated with turnover intentions.

With regard to the mediating relationships, hypothesis 5 was supported with threat mediating the relationship between CPC and objective sales performance (indirect effect = -0.05, 95% CI: -.117 to -.004). Since the effect of competitive climate on sales performance remained positive and significant when including threat, we conclude that threat partially mediates the effect of CPC on sales performance. Hypothesis 6 was supported as threat mediates the relationship between CPC and turnover intention (indirect effect = 0.05, 95% CI: .003 to .010). The positive

direct and indirect effects of CPC on turnover intention indicate partial mediation through threat.

Supporting our moderation hypothesis 7, we found that the interaction of competitive climate and learning orientation on threat to be negative and significant ($\beta = -.28, p < .001$). Examining the results with one standard deviation above and below the mean provides more insight into the pattern of the interaction effect. We conducted a simple slope test to probe this interaction and constructed a simple slope plot (Aiken, West, and Reno, 1991). As seen in Figure 1, the conditional effect of competitive climate for learning orientation at low levels ($b = .33, p < .01$) and at mean ($b = .18, p = .01$) are significantly stronger than that for learning orientation at high levels ($b = .02, p = .82$). Examining simple slopes, we find that the relationship between CPC and threat is significant and positive at low and mean levels of learning orientation. High learning orientation suppresses the positive correlation between CPC and threat, making that relationship non-significant; see Figure 2.

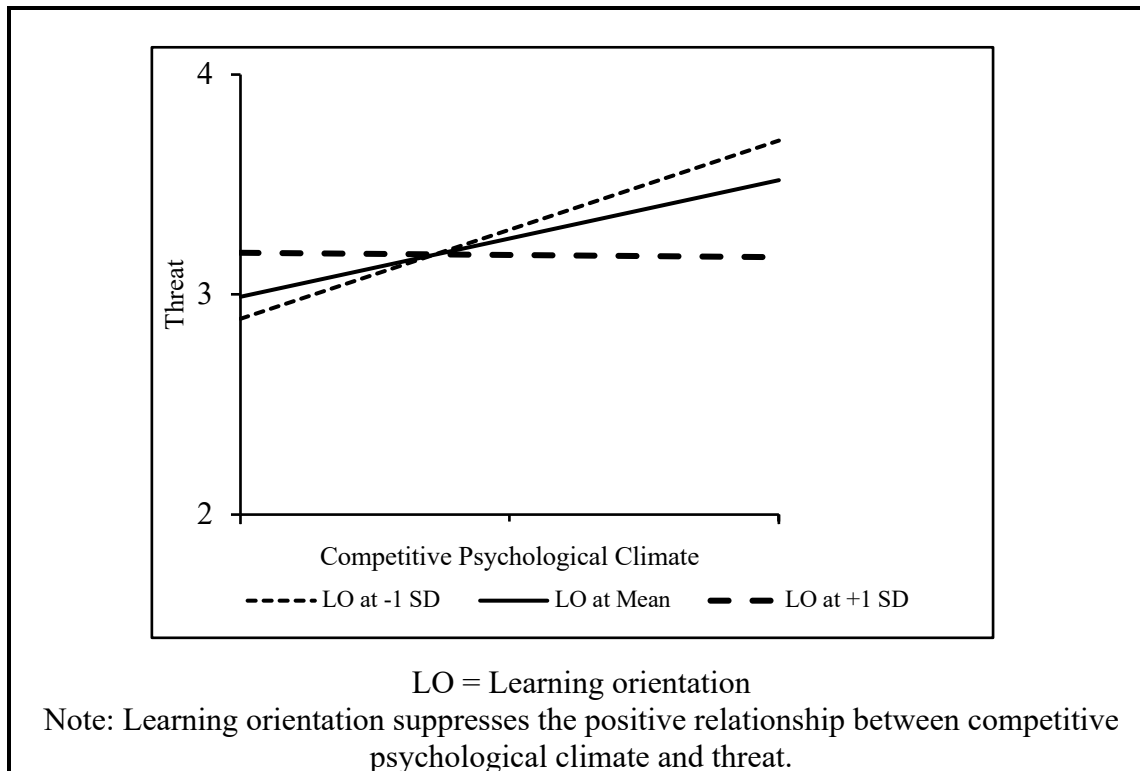


Figure 2. Interaction Plot

DISCUSSION AND IMPLICATIONS

In summary, our results reveal that CPC has positive and negative effects on sales. For example, the direct path shows a positive relationship between CPC and objective sales performance. However, the indirect path reveals a negative effect on performance. For turnover intentions, CPC increases salesperson likelihood to leave employment through direct (non-hypothesized $\beta = .20, p = .005$) and indirect paths (hypothesis 6). In other words, CPC increases threat appraisal,

which decreases sales performance and increases turnover intention. The effect of CPC on threat becomes greater when sales employees have a low learning orientation. However, high levels of learning orientation suppress the effect of CPC on threat appraisal. Our findings show that for higher CPC, the salesperson trait of learning orientation can buffer the resulting formation of threat appraisal and thereby reduce the negative effect of it on salesperson performance and turnover intentions.

For scholars, our results offer an explanation for mixed results in prior research. Some research has found that competition increases (e.g., Wang & Netemeyer, 2002), while other research has shown a negative effect on (e.g., Krishnan et al., 2002), sales outcomes. Our research suggests a mechanism that explains why results have been mixed. In our study, a CPC provides mixed sales outcomes (increased performance and turnover intentions) unless the salesperson translates the perceived climate as a threat. When threat is perceived, CPC has a negative impact on both sales performance and turnover intentions (positive effect on a negative construct). In addition, we establish that learning orientation is a boundary condition to salespeople developing threat perceptions. The concept of a threat appraisal by salespeople contributes to the literature on sales competition, as the topic is largely missed (see Lyngdoh, 2021). Adding threat as a new mediator adds a new psychological state to sales research that has a demonstrated negative effect on sales performance and a positive effect on turnover intentions. This finding points to the true "dark side" of propagating a long-term competitive climate in sales. In addition, the finding that learning orientation mitigates perceptions of threat lends support to McFarland's (2003) view of learning orientation as a coping resource that reduces the effects of stress among salespeople. Our findings suggest that managers should be careful in their approach, finding ways to reduce threat appraisals that come with increased perceptions of CPC, to avoid unintended consequences.

We suggest that our mixed findings should concern managers. Clearly, sales managers desire to retain their salespeople, yet they may be encouraging them to leave via a reliance on propagating competition among the salesforce. In addition, when CPC results in threat appraisal, both turnover intention and sales performance suffer, possibly impacting salesperson well-being. Studies that focus on topics like salesperson burnout (Peasley et al., 2020) and emotional exhaustion (see Lussier et al., 2021) highlight the many adverse effects of fostering a stressful workplace climate on the health of the sales team. In addition, managers that orchestrate competition may inadvertently encourage salespeople to be more unethical or deviant in the workplace as salespeople interpret the competition as a threat (Hochstein et al., 2017), a topic in need of further research. Despite the potential for adverse reactions to a competitive climate by salespeople, our research offers guidance for managers to reduce the effects of their efforts to motivate through competition. Given that learning orientation is identified as a mitigating factor in the competitive climate—threat relationship, managers should attempt to hire salespeople who possess this trait. Of course, research is warranted to identify additional variables (perhaps ones more malleable by management on an ongoing basis) that can fix – all or in part – this negative effect. This practice should help to reduce perceptions of threat and improve outcomes when using competition to motivate. In conclusion, our research indicates that managers should be very careful in fostering competition. It would be unrealistic to suggest that competition plays no role in sales, yet too much reliance on it may increase downstream turnover. Thus, we would

suggest that competition be used sparingly to affect short duration sales goals and incentives, while not being the focus of the ongoing work environment – thereby reducing the likelihood of threat appraisals.

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ABOUT THE AUTHORS

William Zahn is an experienced educator in marketing. After receiving his BBA in marketing from the University of Texas at Austin, he worked as a marketing consultant to the Texas Department of Health. He then served as a software consultant in the oil and gas sector. Afterwards, he returned to school and earned a Ph.D. in Marketing from the University of Houston. He then began his career in academia. While primarily teaching digital marketing, he conducts research on sales force management and ethics, and consults on a range of digital marketing issues. In 2020, he was appointed to serve as the senior marketing advisor for the C.T. Bauer College of Business.

Yi Peng is an assistant professor at Tennessee Technological University. She earned her Ph.D. in Marketing from the University of Alabama and her MBA from the University of Alabama in Huntsville, and she earned her bachelor's degree in economics from Hohai University (China). Her research centers on the areas of cross-cultural consumer behavior, frontline employee services, and sales. Dr. Peng has a paper published in the *Journal of International Business Studies*. Also, she was nominated to attend the 53rd AMA-Sheth Annual Doctoral Consortium in New York.

Willy Bolander is the Carl DeSantis Professor of Marketing in the Department of Marketing at Florida State University's College of Business. He also is actively involved in the FSU Sales Institute. Bolander teaches courses in selling and sales management to undergraduate and graduate students, as well as participants in the college's executive education programs. Most importantly, his students have gone on to build successful careers in some of the world's top sales organizations.

Bryan Hochstein serves as an Assistant Professor of Marketing at the University of Alabama. His research experience is within the broad topic of sales, with a specific focus on interactions, where the customer and face-to-face frontline employee (salesperson, customer success manager, or service worker) meet. Recent research topics include the sales-service interface, ambidexterity, and customer success topics. Research settings include B2B software as a solution (SaaS) firms that focus on modular sales processes and more traditional B2B/B2C firms that focus on selling complex solutions through evolving sales processes. Bryan's industry experience includes a twenty-year corporate career in the service/sales industry.

Davis Mathis is a Ph.D. Student at the University of Alabama. He has over 15 years of marketing management experience.

Appendix

Competitive Climate – adapted from Brown et al. (1998) $\alpha=0.73$, CR = 0.83

My manager frequently compares my results with those of other salespeople.

The recognition I get in my company depends on how my sales rank compared to other salespeople.

I am rewarded based on my sales performance relative to others.

The best salespeople have attractive opportunities not available to everyone.

Threat – adapted from Zahn 2011 $\alpha= 0.85$, CR = 0.90

I often feel like I may not be able to meet my manager's expectations.

I am often anxious that I won't be able to perform as well as others.

I often feel like the selling requirements of my company are beyond my capability.

I often feel like I may not be able to keep my sales numbers up with others in my company.

Learning Orientation – adapted from Sujan et al. (1994) $\alpha= 0.67$, CR = 0.81

It is important to me to invest time to learn new approaches for dealing with customers.

An important part of being a salesperson is continually improving my sales skills.

I put in a great deal of effort to learn how to sell better.

Turnover Intention – adapted from Kelloway et al. (1999) $\alpha=0.86$, CR = 0.92

I often think about quitting my job.

I think about leaving my job in the next year.

I sometimes search for other job opportunities.

Objective Sales Performance

Calculated from firm salesperson performance records over 15 months.

All items were evaluated on a 1 (strongly disagree) to 7 (strongly agree) scale. α = Cronbach's alpha, CR = Construct reliability