Sales Enablement and Hindrance Stressors’ Effects on Burnout, Turnover Intentions, and Sales Performance
Kevin W. Westbrook and Robert M. Peterson

A Closer Look at Feedback, Self-Efficacy, and Intrinsic Motivation in the Sales Industry
Jack Smothers, Kevin Celuch and Michael Williams

Advertising’s Monetary Contribution to Shareholder Value
Charles F. Beauchamp, Michelle Bednarz Beauchamp, Katerina H. Hill and Matthew D. Hill
Editorial: Thoughts on Marketing Management Journal

The Current Issue:

In the present issue, there are three regular submission manuscripts. These articles highlight the wide scope of topics that fall within the realm of Marketing Management. I want to highlight several key takeaways I gleaned from each of these articles.

The first article, “Sales Enablement and Hindrance Stressors’ Effects on Burnout, Turnover Intentions, and Sales Performance” by Westbrook and Peterson, explores sales enablement as a strategic initiative to create better workplaces, in order to reduce salesperson burnout and turnover intentions, as well as increase sales performance. The results show that sales enablement has a negative impact on hindrance stressors, burnout, and turnover intentions, while increasing sales producer performance. From an empirical standpoint, I find it interesting that burnout partially mediates the relationship between sales enablement and turnover intentions, but not sales performance. In addition, hindrance stressors only partially mediate the path between sales enablement and burnout, without direct influence on turnover intentions or performance. An important implication to sales managers is that when firms do not enable their salespeople and make effort to remove excessive hindrance-related stress, they risk that their productive salespeople will underperform and/or quit.

The next article is titled, “A Closer Look at Feedback, Self-Efficacy, and Intrinsic Motivation in the Sales Industry,” and is written by Smothers, Celuch, and Williams. In this study the authors analyze the relationship between feedback, self-efficacy, and intrinsic motivation in the sales industry. They find that outcome performance feedback moderates the effect of capability feedback on salesperson self-efficacy, while self-efficacy fully mediates the relationship between capability feedback and intrinsic motivation. From an academic perspective, the mediated-moderation model proposed in this study empirically validates the collective impact of outcome and capability feedback on salesperson self-efficacy and intrinsic motivation. Further, it suggests that sales managers should not fear giving feedback to employees, but should use it as an opportunity to improve the performance of their salespeople.

In the last article, “Advertising’s Monetary Contribution to Shareholder Value,” written by Beauchamp, Beauchamp, Hill and Hill, the authors take a closer look at the relationship between advertising expenditures and shareholder value. Specifically, they propose a model to calculate the exact dollar amount of shareholder value added by each additional investment in advertising. They also show that the monetary value shareholders attribute to advertising expenditures varies over time. I find this study intriguing, as it analyzes a marketing management topic of advertising expenditures from an investment in shareholder value perspective. In addition, from a managerial standpoint, this study offers marketing managers a quantitative measure when allocating and justifying advertising expenses.

New Member of the Editorial Review Board:

I am proud to announce a new member of the Editorial Review Board:

Prachi B. Gala, Elon University

As submissions continue to increase in number and quality, I will continue to add new members to the Editorial Review Board. As can be seen, new Editorial Review Board members have strong records of research accomplishment and are able to review multiple topics and methods. At the conclusion of this volume, the term for several members of the Editorial Review Board will conclude. I want to
thank these scholars for the contributions they have made to the Journal over their tenure as members of the Editorial Review Board.

**Special Section Call for Papers:**

**Marketing during Uncertain Times:**

**How do Disruptive Events affect Marketing Management?**

As the entire world has felt, and continues to feel, the impact of COVID-19, the field of Marketing has been turned upside down. A shift from bricks-and-mortar shopping to predominantly online shopping has occurred for a number of consumers. This has a far-reaching impact on the supply-chain, as well as to customer relationship management processes and systems. Consumers are seeing delays in delivery of items, creating an excess burden on many CRM systems. Further, the traditional sales process has also changed. Salespeople are now making fewer face-to-face sales calls and the handshake might be something of the past. Demand for certain products are seeing rapid increases, while other products are seeing massive reductions in demand. This is creating major supply/demand issues across the supply chain, in addition to creating uncertainty within the marketplace.

Recognizing that we are in a new paradigm of marketing management, *Marketing Management Journal* will have a special section of the Journal designated for research on disruptive events. While COVID-19 is at the forefront of disruption across the world, research submissions examining other disruptive events are also encouraged.

Suggested topics could include:

- The impact of COVID-19 on the supply chain.
- The role of the CRM system in the COVID-19 crises.
- The role of technology during COVID-19.
- The role of technology in a post COVID-19 time.
- Changes in how customers interact with front-line employees, including the sales force.
- Changes to the sales process due to COVID-19.
- The best practices for bricks-and-mortar retailers to survive a disruptive event.

**Special Section Review Process:**

- Manuscripts should be submitted by August 31, 2021, for full consideration.
- The Editor will review all manuscripts before entering them into the review process.
- At least two independent reviewers will provide feedback on a given manuscript.
- To facilitate timely publication, all manuscripts receiving an offer for revision will be due within 90 days.

**Submission Deadline: August 31, 2021**

*Please see detailed submission guidelines located at: [http://www.mmaglobal.org/publications/mmj/](http://www.mmaglobal.org/publications/mmj/)*

Submit articles via email to MMJ@mmaglobal.org

**Marketing Management Journal Editor**

Questions about the special section should be directed to:

*Brian N. Rutherford, Ph.D., Professor, Kennesaw State University*

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TABLE OF CONTENTS

Sales Enablement and Hindrance Stressors’ Effects on Burnout, Turnover Intentions, and Sales Performance
Kevin W. Westbrook and Robert M. Peterson ................................................................. 64

A Closer Look at Feedback, Self-Efficacy, and Intrinsic motivation in the Sales Industry
Jack Smothers, Kevin Celuch and Michael Williams ......................................................... 86

Advertising’s Monetary Contribution to Shareholder Value
Charles F. Beauchamp, Michelle Bednarz Beauchamp, Katerina H. Hill and Matthew D. Hill ................. 104
Scope and Mission

The mission of the *Marketing Management Journal* (MMJ) is to provide a forum for the sharing of the academic, theoretical, and practical research that may impact the development of the marketing management discipline. Manuscripts that focus upon empirical research, theory, methodology, and review of a broad range of marketing topics are strongly encouraged. Submissions are encouraged from both academic and practitioner communities.

Submission Guidelines

Manuscripts that do not conform to submission guidelines will not be distributed for review. Authors should submit manuscripts via email to mmj@mmaglobal.org. Each submission should consist of two files:

1. A file containing the cover page listing the manuscript title, each author's name, institution affiliation, mailing address, telephone number, and email address. If there are multiple authors, the editor will consider the author originating the manuscript submission the contact author unless otherwise noted.

2. A file containing the manuscript title, an abstract of no more than 150 words, keywords, and manuscript. Author identification or affiliation should not appear anywhere in this file.

Manuscripts should be submitted using 12-point Times Roman font and should not exceed 30 typewritten pages inclusive of body, tables and figures, and references. Margins must be one inch. Preparation of the manuscript should follow style guidelines in the most recent *Publication Manual of the American Psychological Association, 6th* edition. Tables and figures used in the manuscript should be included on a separate page and placed at the end of the manuscript. Authors should insert a location note within the body of the manuscript to identify appropriate placement. Tables and figures should be constructed in table mode of Microsoft Word.

The MMJ editorial board interprets the submission of a manuscript as a commitment to publish in MMJ. Editorial policy prohibits publication of a manuscript that has already been published in whole or in substantial part by another journal. Each manuscript is first assessed by the editor to determine its potential for successful completion of the review process. A manuscript that goes beyond the initial review goes through a double-blind review conducted by members of MMJ’s review board. Feedback from reviewers and the editor team’s evaluation are used to make a decision on whether a manuscript will be accepted for publication in MMJ.

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The editorial board reserves the right for stylistic editing of manuscripts accepted for publication in MMJ. Where major stylistic editing becomes necessary, a copy of the accepted manuscript will be provided to the author(s) for final review before publication.

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SALES ENABLEMENT AND HINDRANCE STRESSORS’ EFFECTS ON BURNOUT, TURNOVER INTENTIONS, AND SALES PERFORMANCE

KEVIN W. WESTBROOK, Union University
ROBERT M. PETERSON, Northern Illinois University

Salesforce retention remains a challenge to keeping the “best and brightest” talent. To reduce salesperson attrition, some companies are investing in sales enablement initiatives. Based on perceptions of 302 B2B sales professionals, this study tests the direct effects of sales enablement on hindrance stressors, burnout, performance, and turnover intentions. The results show that sales enablement has a direct, negative impact on hindrance stressors, burnout, and turnover intentions, while directly increasing sales producer performance. One significant finding is that burnout partially mediates the relationship between sales enablement and turnover intentions, but not sales performance. The results further show that hindrance stressors partially mediate the path between sales enablement and burnout, but do not directly influence turnover intentions or performance directly. When firms do not enable their salespeople and minimize excessive hindrance-related stress, there is a significant chance that the salespeople will quit or underperform. Managerial implications are discussed, along with future research endeavors.

INTRODUCTION

Today’s sales leaders face volatile, uncertain, complex, and ambiguous environments which create significant challenges (Dinana 2019). They oversee the execution of the sales strategy and manage day-to-day activities, such as recruiting and hiring, training and coaching, equipping, and assessing the performance of the salesforce (Jordan and Vazzana 2012). Unfortunately, many sales leaders, promoted from sales producers to management, find themselves ill-equipped (Wilkinson 2008). They are caught between placating customers and internal stakeholders, while also trying to strategically and tactically lead the sales unit (Ingram et al. 2005). Evidence suggests that salespeople burn out from pressure to make the numbers, a lack of training, and rejection (Comaford 2016), leading to lower job satisfaction and higher turnover (Chen et al. 2011; Shepherd, Tashchian, and Ridnour 2011). On average, companies lose approximately 30% of their sales talent pool annually to voluntary and involuntary turnover (The Bridge Group 2017), and the current job-hopping culture remains prevalent across all industries and age groups (Millennial, Gen-X, and Baby Boomer) (Bolsu 2017). Hence, sales leaders face a constant battle to retain qualified sales talent.

Sales leaders are ultimately responsible for generating revenue growth to achieve performance metrics and face challenges to improve coordination, alignment, and integration of efforts between sales and marketing as they create an enabling sales culture. The direct impact of such an initiative would increase sales revenues and overall firm profitability (Kotler, Rackham, and Krishnaswamy 2006). However, that is not the case for many sales organizations. A recent survey demonstrates that the average salesperson is at least ten percent below his/her sales quota, and the average firm’s ability to meet sales performance goals has dropped four percent (Matthews and Schenk 2018).

Emerging as a strategic initiative, sales enablement may be one defining connection in formally integrating efforts between the sales and marketing functions, centering on joint activities and refining customer-centric processes. Certainly, present strains to grow revenues are likely the impetus for choosing to invest in a sales enablement initiative (Matthews and Schenk 2018). Survey findings indicate 59% of organizations have invested in a sales enablement initiative as a “dedicated enablement person, program, or function” (Matthews and Schenk 2018, p. 6).
and sales enablement has spawned a burgeoning industry of service providers who target Fortune 500 accounts (Selling Power 2019).

Peterson and Dover (2020) define sales enablement as a “cross-functional assimilation (marketing, training, operations, management, automation, etc.) of content, processes, and technology that readies a firm to more productively assist the customer’s journey” (p.46). Sales enablement is based on enhancing a salesperson’s knowledge, competencies, skills, and accessible tools versus mechanical dimensions of day-to-day sales operations (Didner 2019). Sales enablement is a key to salesforce productivity, efficiency, and performance (Kada 2019; Peterson and Dover 2020). Early conceptualization of sales enablement expands to sales content services, training, coaching, value messaging, formalized collaboration with other organizational units, integrated enablement technology, enablement operations, and sales metrics (Matthews and Schenk 2018). The main premise of this study is that sales enablement is a strategic initiative which can create better workplaces, which in turn will reduce salesperson burnout and turnover intentions and increase sales performance.

The motive behind this study is to determine if sales enablement is distinguishable from normal, day-to-day sales operations and to empirically test the influence of sales enablement as a job resource on individual sales outcomes. Hence, the purpose of this research is to discern if sales enablement (job resource) helps decrease hindrance-related stress and directly or indirectly reduces burnout and turnover intentions within the sales unit. Further, this study explores the effects of sales enablement on salesperson performance. We test hypothesized paths between sales enablement and hindrance-related stress leading to salesperson burnout, turnover intentions, and performance. The hypothesized model representing these relationships is shown as Figure 1.

THEORETICAL BACKGROUND

Job Demands-Resources Model

Based on the Job Demands-Resources Model (JD-R Model), job demands and resources impact employee well-being (e.g., work engagement and burnout) and individual work performance (Bakker and Demerouti 2014; Demerouti et al. 2001). Job demands either serve to challenge the salesperson, or to hinder a salesperson’s personal growth and accomplishment (Podsakoff, Lepine, and Lepine 2007, p. 438). Job demands, such as time pressures, sales contests, sales goals, etc., can lead to a salesperson’s challenge-related stress (“challenge stressors”). These, in turn, can be positively related to job satisfaction, commitment, loyalty, work engagement, proactive coping behavior, idea generation, and role-based performance and negatively related to reducing burnout and turnover (Cavanaugh et al. 2000; Lepine, Lepine, and Jackson 2004; Loon and Casimir 2008; Podsakoff, Lepine, and Lepine 2007). On the other hand, job demands, such as organizational politics, internal rules, lack of personal control, etc. can lead to a salesperson’s hindrance-related stress (“hindrance stressors”). Such elements serve to demotivate and lead to adverse physical symptoms, emotional exhaustion, psychological strain, turnover intentions, reduced motivation, lower job performance, and withdrawal behavior (Cavanaugh et al. 2000; Crawford, Lepine, and Rich 2010; Lepine, Lepine, and Jackson 2004; Lepine, Podsakoff, and Lepine 2005; Podsakoff, Lepine, and Lepine 2007). While workers experience stress both internally and externally to the firm, challenge and hindrance stressors are internal, work-related, and distinct constructs (Boswell, Olson-Buchanan, and Lepine 2004; Pearsall, Ellis, and Stein 2009).

Job resources exist organizationally (e.g., compensation, rewards, career opportunities, role definition, job control, etc.), socially (e.g., team building, supervisory support, co-worker support, team climate, etc.), functionally (e.g., role clarity, participative decision-making, autonomy, level of tasks, etc.), and tactically (e.g., tools, performance feedback, skill variety, etc.) (Demerouti et al. 2001; Bakker, Demerouti, and Verbeke 2004). These
resources impact a salesperson’s emotional and psychological well-being, assist in reaching performance goals, and promote personal development and growth (Schaufeli and Bakker 2004). Job resources buffer (lessen) the impact of job demands, specifically surrounding burnout (Bakker, Demerouti, and Euwema 2005). Job resources, such as customer orientation, sales and product training, and supervisor support, all positively affect salesperson emotional engagement and sales performance. Simultaneously, they lower emotional exhaustion, new product burnout, and turnover intentions (Lewin and Sager 2008; Matthews et al. 2016; Zablah et al. 2012). Allison et al. (2016) showed brand attachment is a job resource that increases brand-selling effort (engagement).

**Sales Enablement as a Job Resource**

The sales practitioner literature provides that sales enablement consists of selling skills, step-by-step sales processes, sales content (collateral), enablement technology (CRM system), training/education, coaching and mentoring, sales analytics, and industry research that build salesforce fluency (CSO Insights 2016; Kada 2019; Moravik 2017). In one of the first academic studies, Peterson and Dover (2020) suggested sales enablement comprises a technological component (sales and marketing automation, CRM and sales tools), a content component (scripts, email blasts, brochureware, collaterals, playbooks, etc.), and a people component (training, coaching, sales operations, etc.). Sales enablement is “an ecosystem that crosses all functional and hierarchical boundaries” (Bray and Sorey 2017, p.3) and endeavors to “deliver a positive customer experience by equipping salespeople with knowledge, skills, processes, and tools through cross-functional collaboration in order to increase sales velocity, sales retention, and productivity” (Didner 2019, p. 5).

Sales enablement would be a leveraged job resource, improving a salesperson’s job capability. In light of theory discussed in Schaufeli and Bakker (2004), sales enablement as a job resource would embody “physical, psychological, social, and organizational aspects” that “reduce job demands,” would be “functional in achieving [sales] goals,” and “stimulate personal growth, learning, and development” (p. 296). Sales enablement is then described as internal tools to sell, grow, and develop as the cross-functional alignment of all organizational-supporting sales activities (Schenk 2015). Simply, sales enablement helps with selling and reducing the stress associated with hitting sales performance goals, and would

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**Figure 1**

*Full Hypothesized Model*
Sales Enablement and Hindrance Stressors

assist in understanding customer goals, coordinating activities, and instilling the skills to be efficient and effective. In short, part of sales enablement’s purpose is to reduce potential conflict occurring at both interpersonal (e.g., differing orientations, distrust, etc.) and organizational levels (e.g., misaligned objectives, lack of clear role definitions). Removing barriers and improving internal communication, knowledge sharing, and coordination should relieve internal tension (Malshe et al. 2017).

Bakker, Demerouti, and Euwema (2005) found support for the buffering effect when job demands interact with job resources, connoting that job resources buffer, or lower the impact of job demands. Specifically, they found that workers experience high fatigue and demoralization under conditions of high job demands and low job resources. In another study, Xanthopoulu et al. (2007) showed that job resources are more likely to buffer the relationship between emotional demands/patient harassment and burnout than buffer the relationship between workload/physical demands and burnout among home care employees. However, whether job resources moderate or buffer the effects of job demands can be dependent on the type of worker (Bakker, Demerouti, and Verbeke 2004). In a health care setting, Viotti et al. (2015) demonstrated that job content level resources buffer verbal aggression on job burnout for nurses, but found no effects among nursing aides. Given the totality of previous studies, sales enablement may act as a job resource, thus the following hypothesis is proposed:

H$_1$: Sales enablement directly decreases salesperson perceptions hindrance-related stress (“hindrance stressors”).

The Burnout Syndrome

Emotional exhaustion is manifested as felt stress and depletion of physical and emotional energy (Leiter and Maslach 2004) which leads to personal physical fatigue, frustration, distress and ineffectiveness (Maslach and Jackson 1981; Rothmann, Steyn, and Mostert 2005). Emotionally-exhausted salespeople are likely to engage in frontline deviance and have lower job satisfaction, organizational commitment, and higher turnover (Babakus et al. 1999; Boles, Johnston, and Hair 1997; Darrat, Atinc, and Babin 2016). Cynicism or depersonalization results in personal disengagement, callousness, apathy towards what happens at work, and harboring feelings of blame for customer problems (Maslach and Jackson 1981; Rothmann, Steyn, and Mostert 2005). Burned-out salespeople expend higher physical and emotional energy to perform selling requirements, feel frustrated, and experience personal conflict (Lewin and Sager 2008; Sand and Miyazka 2000).

A robust stream of research exists for the impact of burnout on organizational and individual outcomes. Emotional exhaustion mediates the relationship between job demands and job resources with job satisfaction, organizational commitment, and performance (Edmondson, Matthews, and Ambrose 2019). Darrat, Atinc, and Babin (2016) found that emotional exhaustion serves as a mediator between leader-member exchange and organizational deviance, turnover intentions, and frontline deviance. Matthews et al. (2016) noted that sales training and managerial support reduce salesperson emotional exhaustion. By offering coordinated job resource investments (i.e., sales enablement) to benefit the salesperson’s readiness state (via improved content, alignment with marketing, coaching), improved supervisory support would increase overall job performance as it has in other instances (Bakker and Demerouti 2017). Hence, the focus on improving salesperson productivity and efficiency should reduce emotional exhaustion and depersonalization that would be detrimental to customer interactions (Maslach and Jackson 1981). For a robust summary of the relevant literature relating to burnout, see Hollet-Haudebert, Mulki, and Fournier (2011), and for additional understanding, Table 1 highlights relevant studies on salesforce burnout.

Burnout is normally considered work-related (Schaufeli and Enzmann 1998) and shown to lead to physical fatigue and feelings of frustration, overextension, distress, ineffectiveness, adverse perceptions of the manager, lower job satisfaction, and reduced organizational commitment (Babakus et al. 1999; Maslach and Jackson 1981; Sand and Miyazaki 2000). Earlier conceptualization
Sales Enablement and Hindrance Stressors’...Westbrook and Peterson

Sales Enablement and Hindrance Stressors

posited that burnout consists of three components - emotional exhaustion-energy, cynicism-involvement (depersonalization), and inefficacy-efficacy (diminishment of personal accomplishment) (Cordes and Dougherty 1993; Maslach and Jackson 1981; Maslach and Leiter 2008; Shepherd, Tashchian, and Ridnour 2011). However, Maslach and Leiter (2008) concluded that “emotional exhaustion and depersonalization are the two primary measures of burnout” due to their “strong, robust relationship between them” where “these two dimensions ‘go together’— they both appear strongly in people experiencing burnout, and they both fade away in people experiencing engagement with their work” (p. 501). Other studies suggest that diminishment of personal accomplishments (inefficacy) is an independent construct from burnout (Babakus Yavas, and Ashill 2009; Maslach and Leiter 2008) or that personal accomplishment is actually an antecedent of burnout (Lewin and Sager 2007; Rutherford et al. 2015) or an outcome of burnout, comprised of emotional exhaustion and depersonalization (Shepard, Tashchian, and Ridnour 2011). Hence, the conceptualization of burnout can be narrowed to consist of worker emotional exhaustion and depersonalization (Babakus, Yavas, and Ashill 2009).

Salesforce Turnover

Salesforce turnover detrimentally affects a firm’s revenues, operating costs, and customer perceptions (DeConinck and Johnson 2009; Sunder et al. 2017). Recruiting activities are expensive and can span over six months (Maestro 2017). Once a sales recruit is hired, the company absorbs higher costs associated with new hire orientation and training on product offerings, service delivery processes, selling processes, and sales technology tools (DeConinck and Johnson 2009; Sunder et al. 2017). A bad sales hire can typically cost the firm 75-150% of the salesperson’s annual sales quota (Burke and Thomson 2010) and may lead to other sunk costs, such as past paid incentives (SPIFFs, bonuses, stock options, etc.) and severance compensation to salespeople who depart the company (Harvard Business Review 2017). On the non-financial side, salesperson turnover negatively impacts customer orientation, customer relationship management, service delivery, and firm brand image (Subramony and Holtom 2012).

Salespeople obviously leave organizations for varied reasons. For instance, perceived role ambiguity is positively associated with turnover

<table>
<thead>
<tr>
<th>Source</th>
<th>Sample</th>
<th>Antecedents</th>
<th>Mediators</th>
<th>Dependent</th>
<th>Statistically Significant Outcomes</th>
</tr>
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<tbody>
<tr>
<td>Ambrose, Rutherford, Shepherd, and Tashchian (2014)</td>
<td>Various industries n=226</td>
<td>Role ambiguity based on company, family, boss, customer, other managers, and coworkers</td>
<td>Burnout</td>
<td>Job satisfaction and job performance</td>
<td>Role ambiguity decrease personal accomplishment (partial), job performance (partial) and satisfaction (partial). Role ambiguity enhances depersonalization (partial). Burnout mediates role ambiguity and satisfaction path (partial). Burnout partially mediates role ambiguity facets and burnout.</td>
</tr>
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</table>
intentions (Jaramillo, Mulki, and Solomon 2006). Organizations exhibiting lower sales performance and customer satisfaction levels have been shown to suffer higher turnover (Sunder et al. 2017). Further, salespeople who experience emotional exhaustion and depersonalization would be tempted to leave the organization as well (Babakus, Yavas, and Ashill 2011; Cordes and Dougherty 1993; Low et al. 2001). It would be expected that salespeople possessing higher hindrance-related stress (hindrance stressors) may have higher burnout rates and, in turn, higher turnover intentions. However, if sales enablement is a job resource, the firm should boast happier salespeople, thus potentially reducing burnout and turnover intentions. Salesperson burnout would then mediate the relationship between sales enablement and hindrance-related stress (hindrance stressors) and turnover intentions. Based on the above, the following hypotheses are provided:

- **H2**: Sales enablement has a direct negative effect on turnover intentions.
- **H3**: Salesperson burnout mediates the relationship between sales enablement and turnover intentions.
- **H4**: Salesperson hindrance-related stress (hindrance stressors) has a direct positive effect on turnover intentions.
- **H5**: Salesperson burnout mediates the relationship between hindrance-related stress (hindrance stressors) and turnover intentions.

**Salesperson Performance**

Sales performance represents sales activity-based actions or behaviors that lead to sales outcomes or results (Anderson and Oliver 1987). Many times, sales manager perceptions of sales performance differ from those of sales representatives. Sales managers push for quantified and precisely measured sales outcomes based on correct sales behaviors, performed in the correct way. Then again, many salespeople view sales performance based on overall sales outcome success (Zalloco, Pullins, and Mallin 2009) despite behaviors undertaken to meet sales management’s expectations. Best practices for measuring sales performance call for metrics that are centric to the quantity of sales activities (number of dials, email blasts, etc.), activity efficiency ratios (calls, connects, meetings, opportunities landed), and ratios of activity results versus the fulfillment of activity goals (as actual objectives fulfilled) (Rotenberg and Baker 2013). Such metrics may include year-to-date sales volume, sales-by-quarters, new sales landed, retention of sales ratios, and average margin percentages (Miller 2009).

Jordan and Vazzana (2012) proposed that sales organizations establish sales goals and objectives relating to market coverage, sales force capability, customer focus, and product focus. Hence, firms monitor total selling effort with customers and prospects, such as the number of selling hours, percentage of customers called, and customer engagement time to achieve market penetration. The attainment of sales force capability directly ties
to effective use of capacity (win/loss ratios, percent of deals advancing by stage, and length of the sales cycle), and the achievement of customer-focused goals is based on capturing, retaining, and growing customers (number of new accounts, percentage customer retention, and percentage share of wallet). Finally, product focus objectives relate to selling products and services that are measured as revenue by product, cross-sell rate, and average deal size (Jordan and Vazzana 2012).

Zallocco, Pullins, and Mallin (2009) reinforced the notion that sales performance consists of effectiveness and efficiency. Sales effectiveness can be internally-oriented and consist of competencies such as technical knowledge, listening and communication skills, teamwork, etc. It can also be externally-oriented, at the level of customer engagement, channel and customer survey feedback, new accounts introduced to products/services, competitor tracking, etc. Sales efficiency might be selling activities, internally-oriented, and/or consist of productivity, account profitability (account margin), time management, number of calls made, and number of presentations. Sales efficiency can also be externally-oriented and be measured as closing ratios related to number of calls made, number of presentations, and sales penetration per account (Zallocco, Pullins, and Mallin 2009).

Matthew and Schenk (2018) indicated that sales enablement directly correlates with organizational performance outcomes. For instance, formal coaching resulted in improved win rates (+14 percent), and a dynamic coaching process exhibited a 28 percent increase in win rates versus firms without a formal sales enablement presence. Companies with a formal charter-based approach to sales enablement achieved a 74 percent in quota, compared to the average 58 percent. Effective content services correlated to an 8 percent improvement in quota attainment, while training improved quota attainment between 18 -22 percent. Formal cross-functional collaboration resulted in a seven percent rise in quota attainment, and integrated technology (sharing content via email or multiple repositories) also saw positive results (p. 33-34).

Past studies provide mixed support as to whether burnout has a direct impact on job performance. Certainly, salespeople who engage with customers who complain or have excessive demands will experience higher job burnout, which would seem to negatively impact job performance. Singh, Goolsby, and Rhoads (1994) outlined that burnout has a significant negative impact on behavior outcomes or performance and psychological outcomes among customer service representatives. Peasley et al. (2020) found that emotional exhaustion, depersonalization, and diminished personal accomplishments have negative effects on sales performance, while Bakker, Demerouti, and Verbeke (2004) indicated that emotional exhaustion negatively impacts in-role performance. In yet another study, Babakus, Yavas, and Ashill (2009) found partial support that burnout mediates the relationship between job demands and job performance.

However, other research fails to show conclusive evidence that burnout affects individual work performance. Based on a meta-analysis of 16 research studies, Taris (2006) posited that emotional exhaustion seems to produce a negative effect on performance, but a lack of conclusive evidence exists that depersonalization directly impacts performance. Meanwhile, based on a study of MBA students, burnout is not associated with overall actual performance (Garden 1991), and Bakker, van Emmerik, and van Riet (2008) showed that emotional exhaustion fails to mediate the relationship between job demands and performance, but cynicism (depersonalization) is a mediator between job resources and performance. Hence, clean and conclusive findings, whether burnout or its core components have an effect on performance, remain non-definitive.

Finally, job demands can affect overall sales performance. Customer demandingness, serving as a challenge stressor, positively impacts performance (Jaramillo, Mulki, and Boles 2013). Lepine, Podsakoff, and Lepine's (2005) meta-analysis shows hindrance stressors have a direct negative impact on performance and an indirect impact on performance through strains and motivation which serve as mediator variables. In a study of Chinese law
enforcement officers, Liu et al. (2013) found that hindrance stressors had a negative influence on performance, especially among employees with high conscientiousness. Furthermore, in work environments involving high levels of the transactional leadership style, the indirect effects of hindrance stressors on job performance through organizational justice are mitigated (Zhang et al. 2014). Consistent with the preceding discussion, the following hypotheses are proposed:

$H_6$: Sales enablement has a direct positive effect on performance.

$H_7$: Salesperson burnout mediates the relationship between sales enablement and performance.

$H_8$: Salesperson hindrance-related stress (hindrance stressors) has a direct negative effect on performance.

$H_9$: Salesperson burnout serves as a mediator between hindrance stressors and performance.

**METHODS**

**Procedure**

Data was gathered over a 10-day period via a web-based survey using a panel of participants. Other academic studies in sales have successfully used commercial survey panels representing cross-sections of industries to effectively conduct surveys and test conceptual models (Matthews et al. 2016; 2018). The panel provider maintains scores on each respondent that are based on behavioral patterns, such as time spent on surveys, inconsistent profile data reporting, and human-reviewed responses flagged as low quality. Panel participants, having scores that fall below the acceptable threshold are eliminated from the platform. To reduce measurement error, proprietary safeguards, such as invisible ReCaptcha to screen for bots, virtual fingerprinting, and scoring based on historical completions, are used to eliminate outliers and to ensure only unique panelists complete the survey. Respondents were personally incented or donated their incentive to a non-profit organization of their choice. The final sample consisted of 302 business-to-business salespeople from manufacturing, finance, insurance, real estate, wholesale trade, merchandising, transportation, communications, and utilities industries. The average age of respondents was 40.3 years, while the average tenure in a sales role was 10.9 years. Employer company size varied, with 28% working for firms up to 50 employees; 19% working for firms with 51-250 employees; 16% working for firms with 251-1,000 employees; and 37% working for companies with more than 1,000 employees. Approximately 53% of the subjects were female and 47% were male.

**Measures for Hypothesized Model**

Multi-item scales were used to measure sales enablement and hindrance stressors leading to burnout, performance, and turnover intentions. These scales were tailored to align with a sales context and varied to avoid common method variance associated with same scale endpoints and potential anchoring effects (Matthews et al. 2016; Podsakoff et al. 2003). All of the perceptual measures (sales enablement, hindrance stressors, burnout, turnover intentions, and performance) were subjected to a single exploratory factor analysis (principal components) with direct oblimin rotation which yielded a 7-factor solution accounting for 70.2% of the total variance, collectively. The first factor accounted for 27.9% of the variance, suggesting that common method bias is not an issue (Podsakoff et al. 2003).

Based on scale frameworks (Bottger et al. 2017; Farooq 2016; 2017; Hinkin 1995), a 12-item measure for sales enablement was created. The scale was refined based on a thorough review of the sales enablement literature (e.g., Bray and Sorey 2017; Cohen 2019; Didner 2019; Matthews and Schenk 2018; Peterson and Dover 2020). The resulting scale is a 7-point Likert measure, anchored by “1” representing “strongly disagree” and “7” being “strongly agree.” A small-sample beta test was conducted to ensure that respondents could properly access and answer the online survey. The results supported the sales enablement scale showing strong internal reliability (Cronbach’s $\alpha = .93$) (cf. Nunnally 1978; Streiner 2003). Inter-item correlations were satisfactory (.38 to .77), suggesting that using 12 scale items does not likely inflate Cronbach’s alpha coefficient. Further, the appearance of the construct’s histogram suggested no central
response tendency (Voss, Stem, and Fotopoulos 2000). Farooq (2016, p. 76) calls for assessing construct dimensionality using exploratory factor analysis (EFA) followed by confirmatory factor analysis (CFA). The exploratory factor analysis of the sales enablement scale, using direct oblimin rotation, yielded two factors accounting for 64.5 percent of the total variance. However, two scale items representing technology aspects (e.g., CRM systems) cross-loaded across two factors. CFA was performed for all 12 scale items showing all estimates have critical ratio values exceeding 1.96, indicating statistical significance (p < .00), and standardized regression weights spanning .63 to .80. The average variance extracted was .56, which is greater than the cut-off of 0.5, and the composite reliability was .94, indicating good convergent validity (Fornell and Larcker 1981). The results exhibited strong model fit for sales enablement as a unidimensional construct (X² = 65.4, df = 45, p = .03; CFI = .99; SRMR = .03; RMSEA = .04) (Byrne 2010; Hu and Bentler 1999; Schreiber et al. 2006). Sales enablement is thus determined to be a reflective model, since it measures the degree at which firms implement various elements of a sales enablement initiative and is based on the existing theoretical foundation described above. Additionally, strong empirical support exists for a reflective model based on robust inter-item correlations among the scale items, a high internal reliability coefficient (Cronbach ρ), and the goodness-of-fit index from confirmatory factor analysis (Coltman et al. 2008). The Appendix provides the scale items for “Sales Enablement” with the corresponding internal reliability coefficient.

For hindrance stressors, Cavanaugh et al.’s (2000) five-item scale using a 5-point semantic differential scale was selected and modified, anchored by “1” representing “produces no stress” and “5” representing “produces a great deal of stress.” Exploratory factor analysis with oblimin rotation disclosed all items load on a single factor accounting for 50.1% of the variance, and the scale exhibited customary internal reliability (Cronbach’s ρ = .75) (cf. Nunnally 1978; Streiner 2003). The average variance extracted was .50 and the composite reliability was .83 indicating acceptable convergent validity (Fornell and Larcker 1981). Further confirmatory factor analysis showed strong model fit for hindrance stressors as a unidimensional construct (X² = 3.98, df = 2, p = .14; CFI = .99; SRMR = .02; RMSEA = .06) (Byrne 2010; Hu and Bentler 1999; Schreiber et al. 2006). The Appendix provides the scale items for “Hindrance Stressors” with the corresponding internal reliability coefficient.

A reduced version of Maslach and Jackson’s (1981) scale, first used by Babakus, Yavas, and Ashill (2009) is employed to measure “Burnout,” composed of emotional exhaustion and depersonalization. Both of these constructs are measured using 3-item scales, respectively, using a 5-point semantic differential scale anchored by “1” representing “strongly disagree” to “5” representing “strongly agree.” Exploratory factor analysis with direct oblimin rotation showed two factors accounting for 76.8% of the total variance. Both emotional exhaustion (Cronbach’s ρ = .88) and depersonalization (Cronbach’s ρ = .78) showed proper internal reliability (Nunnally 1978; Streiner 2003). The average variance extracted for emotional exhaustion was .81 and for depersonalization was .70, of which both are greater than the cut-off of 0.5. The composite reliability for emotional exhaustion was .96 and for depersonalization was .88, indicating good convergent validity (Fornell and Larcker 1981). Next, second-order confirmatory factor analysis on the construct “Burnout” revealed good model fit (X² = 9.9, df = 7, p = .20; CFI = 1.00; SRMR = .03; RMSEA = .04) (Byrne 2010; Hu and Bentler 1999; Schreiber et al. 2006).

Both outcome variables are based on modified versions of scales in Babakus, Yavas, and Ashill (2009). The construct for turnover intentions consists of a 4-item scale based on a 5-point semantic differential scale, anchored by “1” representing “strongly disagree” to “5” representing “strongly agree.” Exploratory factor analysis with oblimin rotation showed all items load on a single factor accounting for 77.9% of the variance, while the scale exhibited strong internal reliability (Cronbach’s ρ = .91) (Nunnally 1978; Streiner 2003). The average variance extracted was .78, which is greater than the cut-off of 0.5, and the composite
The proposed path model was tested using structural equation modeling with maximum likelihood algorithm to calculate parameter estimates and associated t-values for the hypothesized model. Overall results show the fully saturated model provides good fit to the data ($X^2 = 670.0$, $df = 408$; $p = 0.00$; CFI = .95, SRMR = .06; RMSEA = .05) (see Byrne 2010; Hu and Bentler 1999; Schreiber et al. 2006). The model attributes a significant portion of the variance on Burnout (50%), Salesperson Performance (6%), and Turnover Intentions (64%). Figure 2 provides results from testing the saturated model. Overall results indicate the trimmed model provides good fit to the data ($X^2 = 675.6$, $df = 412$; $p = 0.00$; CFI = .95, SRMR = .06; RMSEA = .05) (Byrne 2010; Hu and Bentler 1999; Schreiber et al. 2006) as shown in Figure 3.

**Testing of Direct Effects**

Hypothesis 1 was confirmed, indicating that sales enablement has a direct, negative effect on hindrance-related stress ($\beta = -.19$, -2.69). The direct, negative effect of sales enablement as a job resource on hindrance-related stress as a job...
demand has been shown in past studies as the “buffering effect” (Tadic, Bakker, and Oerlemans 2015). These results demonstrate that sales enablement employs a direct, negative effect on salesperson burnout ($\beta = -0.18$, $t = -2.91$). In assessing the direct effects of sales enablement on the two outcome variables, sales enablement was found to have a direct, negative impact on salesperson turnover intentions ($\beta = -0.19$, $t = -3.32$) which provides support for Hypothesis 2. Furthermore, sales enablement has a direct, positive impact on salesperson performance ($\beta = 0.24$, $t = 3.58$). Therefore, Hypothesis 6 is supported.

Second, the effects of hindrance-related stress on salesperson burnout, salesperson turnover intentions, and salesperson performance were assessed. The results show that hindrance-related stress has a direct, positive influence on salesperson burnout ($\beta = 0.65$, $t = 7.26$). However, hindrance-related stress fails to have a significant effect on salesperson turnover intentions ($\beta = 0.10$, $t = 0.94$), thus failing to provide support for Hypothesis 4. In like manner, the results fail to show that hindrance-related stress has a significant effect on salesperson performance ($\beta = -0.09$, $t = -0.87$), hence Hypothesis 8 is not supported.

Finally, the effects of salesperson burnout on salesperson turnover intentions and salesperson performance were tested. Salesperson burnout was found to have a direct, positive impact on salesperson turnover intentions ($\beta = 0.66$, $t = 4.76$). However, salesperson burnout does not have a significant relationship with salesperson performance ($\beta = 0.07$, $t = 0.63$). See Table 3 showing results of the direct effects analysis for the fully saturated model.

### Indirect Effects of Sales Enablement on Burnout, Turnover Intentions, and Performance

To test the hypothesized indirect effects, prescriptive frameworks for testing proximal and distal mediation based on Hair et al. (2019, p. 746-47) and Shrout and Bolger (2002, p. 438) were applied. In doing so, the correlations between the variables within the proposed paths (see Hair et al. 2019) were assessed, followed by bootstrapping analysis using Amos 26 with 5,000 iterations and 95% confidence to test for indirect mediation effects. First, sales enablement’s indirect effect on salesperson burnout through hindrance-related stress as the mediator (Sales Enablement $\rightarrow$ Hindrance-Related Stress $\rightarrow$ Salesperson Burnout) was measured. All correlations between sales enablement, hindrance-related stress, and salesperson burnout are statistically significant. See the construct correlation matrix in Table 2. Sales enablement was found to have a direct, negative relationship with salesperson burnout ($\beta = -0.18$, $t = -2.91$). Indirect paths within Sales Enablement $\rightarrow$ Hindrance-Related Stress $\rightarrow$ Salesperson Burnout were recoded as user-
defined estimands which provide estimates with confidence intervals and significance values (Amos Development Corporation 2020). The results reveal that sales enablement has a significant indirect effect on salesperson burnout (estimate = -.08, CI [-.18, -.01], p = .02) through hindrance-related stress as the moderator. Since sales enablement has a direct path with salesperson burnout and indirect path where hindrance-related stress is the mediator, this portion of the model represents partial mediation. See Table 4.

The second mediation analysis tested Hypothesis 3, representing the path as Sales Enablement → Salesperson Burnout → Salesperson Turnover Intentions. As shown in Table 2, the correlations between sales enablement, salesperson burnout, and salesperson turnover intentions are significant. Based on the previous discussion confirming Hypothesis 2, sales enablement is found to have a direct, negative impact on salesperson turnover intentions ($\beta = -.19, t = -3.32$). Indirect paths within Sales Enablement → Salesperson Burnout → Salesperson Turnover Intentions were recoded as user-defined estimands. The results reveal that sales enablement has a significant indirect effect on salesperson burnout (estimate = -.09, CI [-.23, -.02], p = .01). Since the results yield that sales enablement has both a direct effect on turnover intentions and an indirect effect through burnout as a mediator, this portion of the model represents partial mediation. See Table 4.

Third, to test Hypothesis 7, the indirect effects of sales enablement on salesperson performance with salesperson burnout as the mediator (Sales Enablement → Salesperson Burnout → Salesperson Performance) were analyzed. Results show that the correlations between sales

### TABLE 2: Construct Properties

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>SD</th>
<th>AVE</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>Sales Enablement</td>
<td>60.36</td>
<td>14.59</td>
<td>.56</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Hindrance Stressors</td>
<td>14.05</td>
<td>4.71</td>
<td>.50</td>
<td>-.15**</td>
<td>1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Burnout</td>
<td>15.64</td>
<td>5.51</td>
<td>.53</td>
<td>-.23**</td>
<td>.46**</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Turnover Intentions</td>
<td>9.33</td>
<td>4.92</td>
<td>.78</td>
<td>-.34**</td>
<td>.47**</td>
<td>.59**</td>
<td>1.00</td>
</tr>
<tr>
<td>5</td>
<td>Performance</td>
<td>15.92</td>
<td>3.69</td>
<td>.80</td>
<td>-.23**</td>
<td>-.05</td>
<td>-.09</td>
<td>-.08</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed)

### TABLE 3: Fully Saturated Model Results

<table>
<thead>
<tr>
<th>Path</th>
<th>$\beta$</th>
<th>t-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Enablement → Hindrance Stressors</td>
<td>-.19</td>
<td>-2.69**</td>
</tr>
<tr>
<td>Sales Enablement → Burnout</td>
<td>-.18</td>
<td>-2.91**</td>
</tr>
<tr>
<td>Hindrance Stressors → Burnout</td>
<td>.65</td>
<td>7.26**</td>
</tr>
<tr>
<td>Burnout → Turnover Intentions</td>
<td>.66</td>
<td>4.76**</td>
</tr>
<tr>
<td>Burnout → Performance</td>
<td>.07</td>
<td>.63</td>
</tr>
<tr>
<td>Sales Enablement → Turnover Intentions</td>
<td>-.19</td>
<td>-3.32**</td>
</tr>
<tr>
<td>Sales Enablement → Performance</td>
<td>.24</td>
<td>3.58**</td>
</tr>
<tr>
<td>Hindrance Stressors → Turnover Intentions</td>
<td>.10</td>
<td>.94</td>
</tr>
<tr>
<td>Hindrance Stressors → Performance</td>
<td>-.09</td>
<td>-.87</td>
</tr>
</tbody>
</table>

** Significant at the 0.01 level (2-tailed)
confirming Hypothesis 5. These results indicate that the path, Hindrance-Related Stress → Salesperson Burnout → Salesperson Turnover Intentions is full mediation. See Table 4.

For the final mediation analysis, the indirect effects of hindrance-related stress on salesperson performance through salesperson burnout as the mediator (Hindrance-related Stress → Salesperson Burnout → Salesperson Performance) were assessed. Results indicate that the correlation between hindrance-related stress and salesperson burnout is significant, but the correlation between hindrance-related stress and salesperson performance is insignificant. See Table 2. According to Hair et al. (2019), insignificant correlations indicate a lack of indirect effects between a distal variable and an outcome variable. Results show that hindrance-related stress fails to have a direct influence on salesperson performance ($\beta = .09$, $t = .87$), indicating a lack of support for Hypothesis 8. Indirect paths within Hindrance-Related Stress → Salesperson Burnout → Salesperson Performance were recoded as user-defined estimands showing that hindrance-related stress does not have a significant indirect effect on salesperson performance (estimate = .04, CIs [-.12, .23], $p = .55$). Therefore, Hypothesis 9 is not confirmed. See Table 4.

**DISCUSSION AND MANAGEMENT IMPLICATIONS**

This study’s results align with previous findings outside of the sales unit, confirming the importance of the Jobs-Demands Resource Model in the context of selling (e.g., Fernet, Austin, and Vallerand 2012; Kubicek, Paskavn, enablement, salesperson burnout, and salesperson performance are significant. See Table 2. Sales enablement exerts a direct, positive impact on salesperson performance ($\beta = .24$, $t = 3.58$) as confirmation for Hypothesis 6. Indirect paths within Sales Enablement → Salesperson Burnout → Salesperson Performance were recoded as user-defined estimands. The results reveal that sales enablement fails to have a significant indirect effect on salesperson performance through burnout (estimate = -.01, CIs [-.05, .02], $p = .43$). Thus Hypothesis 7 is not confirmed. See Table 4.

### Indirect Effects of Hindrance Stressors on Turnover Intentions and Performance

The fourth analysis tested Hypothesis 5 by examining the indirect effects of hindrance-related stress on salesperson turnover intentions through salesperson burnout serving as mediator (Hindrance-Related Stress → Salesperson Burnout → Salesperson Turnover Intentions). All correlations between hindrance-related stress, salesperson burnout, and salesperson turnover intentions are statistically significant. Refer to Table 2. The results fail to confirm Hypothesis 4 ($\beta = .10$, $t = .94$), therefore we conclude no direct path exists between hindrance-related stress and salesperson turnover intentions. Indirect paths within Hindrance-Related Stress → Salesperson Burnout → Salesperson Turnover Intentions were recoded as user-defined estimands. The results reveal that hindrance-related stress has a significant indirect effect on salesperson turnover intentions through salesperson burnout (estimate = .49, CIs [.26, 1.01], $p = .00$) confirming Hypothesis 5. These results indicate that the path, Hindrance-Related Stress → Salesperson Burnout → Salesperson Turnover Intentions is full mediation. See Table 4.

<table>
<thead>
<tr>
<th>TABLE 4: Indirect Mediated Effects</th>
</tr>
</thead>
<tbody>
<tr>
<td>β (p value)</td>
</tr>
<tr>
<td>Sales Enablement → Hindrance Stressors → Burnout</td>
</tr>
<tr>
<td>H3: Sales Enablement → Burnout → Turnover Intentions</td>
</tr>
<tr>
<td>H5: Hindrance Stressors → Burnout → Turnover Intentions</td>
</tr>
<tr>
<td>H7: Sales Enablement → Burnout → Performance</td>
</tr>
<tr>
<td>H9: Hindrance Stressors → Burnout → Performance</td>
</tr>
</tbody>
</table>
Sales Enablement and Hindrance Stressors’ . . . .

Westbrook and Peterson

and Korunka 2015). Managers are under constant pressure to grow sales for the firm (higher organizational and individual sales performance), while simultaneously recruiting and retaining sales talent (lower turnover intentions). This study’s findings clearly note that a new internal resource allocation called “sales enablement” (job resource) can reduce burnout (emotional exhaustion and depersonalization) and ultimately help lower salesperson turnover intentions, while also increasing salesperson performance. Second, self-reported, hindrance-related stress (hindrance stressors) can increase salesperson burnout, which ultimately leads to higher turnover intentions. Stated even more succinctly, if firms do not enable their salespeople and minimize excessive hindrance-related stress, a significant chance exists that the salespeople will quit or underperform.

The authors suggest sales enablement offers sales content services; professional development and training for products; services and selling skills; and ongoing salesforce coaching (Matthews and Schenk 2018). Additionally, we posit sales enablement extends to technology tools that improve productivity and to a customer relationship management system that promotes collaboration across departments. It also allows the salesperson to access real-time customer information, dashboards, and reports that track sales activities. Sales enablement allows sales leadership to ascertain salesforce perceptions relating to the firm’s implementation and oversight. Further, sales enablement exerts a direct negative influence on salesperson burnout and turnover intentions, but a direct positive impact on salesperson performance.

Hindrance stressors were found to have a direct positive impact on turnover intentions, which was not unexpected in light of previous findings. While Podsakoff, Lepine, and Lepine (2007) found that hindrance stressors had a strong, positive association with turnover intentions, there is existing theory suggesting the effects of hindrance-related stress are both direct and indirect. For example, Babakus, Yavas, and Karatepe (2008) found job demands have a direct, positive influence on turnover intentions among hospitality employees. As an illustration of indirect influences, Schaubroeck, Cotton, and Jennings (1989) found that job tensions impact worker-perceived attitudes (job satisfaction and organizational commitment) which in turn affect turnover intentions. The model also confirms that hindrance-related stressors have a strong association with turnover intentions through full mediation via burnout as the mediator (Hindrance Stressors → Burnout → Turnover Intentions). As salespeople experience hindrance-related stress, they experience emotional exhaustion and depersonalization (burnout) which over time can lead them to desire to seek employment elsewhere when an opportunity arises. However, hindrance-related stress was not found to directly or indirectly impact sales performance through burnout. While this seems counter-intuitive, this finding suggests that stressed out salespeople who face internal hindrances in their jobs can still be motivated to perform well and meet performance goals. If a salesperson is faced with elevated levels of hindrance stressors and wants a new place to work, they must demonstrate high sales performance in order to be attractive to another firm. This is a common occurrence in the sales occupation; to move from an unhealthy environment, one still must deliver on key performance indicators to be attractive to others.

Where possible, sales management should support the creation of sales enablement offerings to the salesforce and aid the various other firm functions that must work together through formal collaboration (e.g., marketing, sales ops, learning/training, technology) to improve a salesperson’s productivity and efficiency in serving customer needs. Sales enablement services along with sales enabling technology obviously have beneficial ramifications, including ultimate overall firm and individual sales performance. Moreover, technology has been evidenced to be highly effective for allowing sales organizations to collaborate across departments as a coveted outcome on any level (Holger, Hoyer, and Rübsaamen 2010). An interesting finding is that sales enablement, serving as a possible job resource, seems to buffer the influence of hindrance-related stress on burnout. This finding aligns with previous research showing that job resources reduce the effects of hindrance stressors (Bakker, Demerouti, and
Euwema 2005; Tadic, Bakker, and Oerlemans 2015). However, we find that burnout fails to significantly impact performance. Hence, the indirect mediation analysis does not confirm that burnout mediates the path between hindrance stressors nor sales enablement and performance.

Logical conventions would suggest that a salesperson experiencing perceptions of emotional exhaustion and depersonalization would lose the motivation to perform. However, when considering the sales role, this may not always be the case. It is certainly plausible that burned out salespeople could still meet performance goals, especially when they are compensated with outcome-based compensation. In this case, the salesperson may be motivated to achieve sales goals to receive commissions or spiffs, despite feeling weary from the burnout syndrome. Second, many salespeople sell products or services that have recurring revenues (renewals, multi-year contracts, etc.) where the salesperson’s book has a high customer retention ratio. In those cases, a salesperson could be highly burned out, but possibly still meet sales performance goals. Finally, despite feeling burned out, it is to the salesperson’s advantage to show high sales results on his/her resume when considering applying for another sales job.

If sales enablement can reduce salesperson burnout and turnover intentions, then great attention, and perhaps resources, should be allocated to introducing salesforce services that allow salespeople to more efficiently perform their jobs. While some of these items might be offered now, sales enablement may not be presented in a coherent or accessible manner to the salesforce. Some of these items may include, but are not limited to, excellent content management solutions or key-performance indicator reports such as win-loss reports or sales cycle empirics that assist the sales professional in performing the job (Matthews and Schenk 2018). Certainly, there has been a call for more data on proper sales coaching (Badrinarayanan et al. 2015) to sustain more effective salespeople. While sales enablement will play a role in this coaching opportunity, the line in the sand where sales enablement ends and sales management starts is still being discussed in most circles.

In consideration of burnout, it is certainly logical that emotional exhaustion and depersonalization lead salespeople to treat customers and co-workers as annoyances or outright impediments to their job (Maslach and Jackson 1981). Thus, opportunities to reduce this caustic situation will benefit the individual, the firm, and all other stakeholders. Eliminating hindrance stressors could be as easy as improving training relating to product knowledge or selling skills or offering sales messaging tools to help counter feelings of emotional exhaustion and depersonalization. No matter the unique solution for each firm, sales enablement helps reduce burnout according to the results of this study.

THEORETICAL IMPLICATIONS AND RESEARCH LIMITATIONS

This research contributes to the sales literature in several manners. First, the study conceptualizes sales enablement as a job resource which can benefit impending research in the goal of reducing turnover intentions and increasing salesperson performance. Thus, the Job Demands-Resources Model has expanded to include a new variable in hopes of delineating costly sales turnover vis-à-vis burnout (Bakker and Demerouti 2017). Second, an approach for measuring sales enablement was offered, as no measurement mechanism exists for capturing the nuances of the multifaceted concept. It appears the variable consisting of enablement dimensions like marketing, training, sales ops, coaching, and enabling technology is robust for capturing the construct’s foundations. Third, the literature is advanced by highlighting the role of sales enablement with salesforce turnover intentions and salesperson performance by introducing the mediating effect of burnout, which has not been noted in the literature to date.

This embryonic research into sales enablement and its potential buffering impact on hindrance stressors is not without its limitations. This study was constrained to a single cross-sectional sample taken from a business-to-business sales environment. The sales literature would benefit from a longitudinal investigation of the effects of stressors and burnout as those feelings are not configured in a person instantaneously, but build over time.
Additionally, the measure of sales force enablement in this research was self-reported by the salesperson and not validated within sales management. Further, perhaps high performers (not measured in this study) versus low performers would be affected differently.

The results clearly indicate that sales enablement can help reduce hindrance stressors, burnout, and turnover intentions while increasing salesperson performance. Hence, it appears that sales enablement could be considered a "panacea construct;" yet, currently we know very little about how this newly empowered approach to sales force support is formulated and executed. While sales enablement, in general, had a positive effect on the sales force, the effects of different levels of sales force enablement are currently unknown. The potential ramifications for practice are clear, yet must be tempered with generalizable challenges, since this study is one of the first attempts to operationalize and test the effects of the sales enablement concept. Obviously, many other variables exist that are not accounted for in this study (tenure in role, compensation, etc.).

**Directions for Future Research**

This study provides a contribution to the existing understanding of applying the Job Demands-Resources Model within a sales unit, with specific emphasis regarding the potential need for companies to implement sales enablement initiatives when strong hindrance stressors are present. It is recognized that survey panel data could lead to sampling artifacts when considering scale validation, and path models could differ within various industries and within specific companies. Hence, it is recommended that future studies replicate the methods presented across industries to determine consistent pathways between these proposed constructs. Perceptions surrounding both sales enablement interventions and hindrance stressors may in fact differ based on current conceptualization and practices specific to an industry, competitive markets, companies, etc.

Second, this study’s sample consisted of surveying front-line salespeople only; marketing, sales support, and sales management, who are also heavily involved with sales enablement, were not part of the sample. It would be compelling to test whether there is alignment between front-line salespeople and the sales leadership team on sales enablement, hindrance stressors, and levels of burnout within the firm. While logical, the stress associated with selling and closing business likely far exceeds the hindrance-related stress that corporate marketing, sales support, and even sales management experiences.

Third, it is conceivable that differences in perceptions could exist surrounding sales enablement and hindrance stressors based on individual variables such as respondent gender, age, tenure in sales, tenure working for the employer, type of salesperson (hunter versus farmer), or organizational variables, such as a strategic business unit, product or service type sold, territory assignment, account type (size, industry), etc. Moreover, previous conceptions of hindrance stressors predominately assessed internal tensions relating to the job itself. It might be more holistic to include external influences as well.

As a fourth consideration, a future study could explore the effects of sales enablement in combination with challenger stressors which actually serve as motivators. Finally, future research testing could entail sales enablement’s effects on other endogenous variables, such as job satisfaction, absenteeism, engagement, servant leadership, and organizational citizenship behaviors. There are obviously other exogenous and endogenous variables to consider, in combination with sales enablement as a job resource driving future research endeavors, to provide noteworthy insights and expand the current nomological net for the Job Demands-Resources Model in a sales context.

**REFERENCES**


Sales Enablement and Hindrance Stressors’ . . .


Sales Enablement and Hindrance Stressors’...

Kogan Page Limited:


Sales Enablement and Hindrance Stressors’ . . .

6. My company employs the use of social media, texting, emailing, and sending sales collateral that assist me in setting appointments with qualified prospects.
7. My company has laid out a step-by-step sales process model that I follow with customers.
8. Our organization collaborates across all departments to align with what customers need.
9. My sales support team provides me with proper data or metrics to assist in monitoring my performance (e.g., win-loss reports, close ratios, length of sales cycle, etc.).
10. My sales manager’s coaching helps me to be more effective at my job.

Hindrance Stressors (Cronbach’s $\alpha = .75$)
1. The degree to which politics rather than performance affects organizational decisions.
2. The inability to clearly understand what is expected of me as a sales producer.
3. The amount of red tape I need to go through to make a sale with a customer.
4. The lack of job security I have as a sales producer with my company.
5. The degree to which my career seems to have stalled.

Turnover Intentions (Cronbach’s $\alpha = .91$)
1. I will probably be looking for another sales job soon.
2. I often think about quitting.
3. I will quit this sales job sometime in the next year.
4. It would not take too much for me to resign from my sales position.

Performance (Cronbach’s $\alpha = .92$)
1. I am a top performer.
2. My performance is in the top 10%.
3. I have been rated consistently as a star performer.
4. I consistently sell more products and services than others.
A CLOSER LOOK AT FEEDBACK, SELF-EFFICACY, AND INSTRINSIC MOTIVATION IN THE SALES INDUSTRY
JACK SMOTHERS, University of Southern Indiana
KEVIN CELUCH, University of Southern Indiana
MICHAEL WILLIAMS, Oklahoma City University

This research examines how different types of feedback information (i.e., capability versus outcome performance) interact to influence self-efficacy and intrinsic motivation among salespeople. Data from 141 sales professionals in three midwestern states across multiple industry sectors were tested in a mediated-moderation regression model. Consistent with predictions, the results indicate that outcome performance feedback moderates the effect of capability feedback on salesperson self-efficacy, and self-efficacy fully mediates the relationship between capability feedback and intrinsic motivation. This research empirically validates the collective impact of outcome and capability feedback on salesperson self-efficacy and intrinsic motivation. Used correctly, feedback is a free and powerful tool that managers can wield to improve their sales staff and the organization’s bottom line.

INTRODUCTION

Providing feedback to employees is a primary component of personnel development and management systems which seek to improve outcomes at the individual and group level (Aguinis, Gottfredson, & Joo, 2012). While most managers are aware that evaluating employees and providing developmental feedback is one of the most important components of their role, many are uncomfortable with these tasks, as they do not know how to perform them effectively (Aguinis, Joo, & Gottfredson, 2011; DeNisi & Kluger, 2000). The challenge of providing constructive feedback is the confluence of factors which determine how feedback impacts motivation, such as the regulatory focus of the receiver (achieving positive outcomes vs. avoiding negative outcomes) (Van-Dijk & Kluger, 2004), feedback orientation (tendencies toward seeking, processing, and acting on feedback) (Aguinis et al., 2012), feedback valence (Burgers, Eden, Engelenburg, & Buningh, 2015), perceived organizational support (employee perceptions that the organization values their contributions) (Ashford, Blatt, & Walle, 2003), number of feedback sources (Smither, London, & Reilly, 2005), and locus of feedback (self, peer, supervisor sources of feedback) (Jaworski & Kohli, 1991).

While feedback is intended to strengthen self-efficacy, engagement, job satisfaction, performance, and motivation (Aguinis et al., 2012; Dimotakis, Mitchell, & Maurer, 2017), it has the opposite effect about thirty percent of the time (Kluger & DeNisi, 1996). Both qualitative and quantitative research investigations point to the inconsistency of feedback effectiveness, as it often leaves employees feeling devastated, criticized, and demotivated (Bouskila-Yam & Kluger, 2011). At times, negative feedback can cause employees to give up on a task, but in other cases it stimulates more effort (Van-Dijk & Kluger, 2004). Similarly, positive feedback can improve effort, but it can also lead individuals to rest in their success (Van-Dijk & Kluger, 2004).

These findings indicate that conditions exist which dictate when, where, and how feedback will impact employee motivation. Dimotakis et al., (2017) called for research examining the effects of different types of feedback as boundary conditions in the relationship between feedback and employee motivation. Boundary conditions indicate the presence of moderating variables, which influence the strength of the relationship between two other variables (Schmidt & DeShon, 2010). In the present context, boundary conditions could increase or
mitigate the influence of feedback on salesperson motivation-related variables.

This research is germane in the sales context because salespeople often work alone and managers are the primary, or even sole, connection they have to the organization (Fatima & Azam, 2016). Extant research has found that feedback from sales managers can instill confidence, enhance perceived competence, facilitate professional development, and strengthen the bond between managers and salespeople (Deci & Ryan, 1985; Hawes & Rich, 1998; Ryan & Deci, 2000). Furthermore, the sales role is expanding to include business development (Keszey & Biemans, 2016; Narus, 2015), customer service (Jasmand, Blazevic, & de Ruyter, 2012), technological expertise (Marshall, Moncrief, Rudd, & Lee, 2012), data analysis (Erevelles, Fukawa, & Swayne, 2016), and knowledge brokering (Verbeke, Dietz, & Verwaal, 2011). As the salesperson role expands, obtaining new knowledge from developmental feedback to strengthen job-related capabilities is becoming ever more imperative (Khusainova, De Jong, Lee, Marshall, & Rudd, 2018).

The impact of supervisory feedback and self-efficacy (perceived selling capabilities) on salesperson performance has been well established in literature (Aguinis et al., 2012; Dimotakis et al., 2017). Sales research also has generated robust findings regarding extrinsic incentives eliciting salesperson motivation, but much less is known regarding what builds strong intrinsic motivation among salespeople (Khusainova et al., 2018). This is relevant currently because millennials in sales roles value intrinsic motivation more than prior generations in the workforce (Khusainova et al., 2018; Pullins et al., 2011; Schultz, Schwepker, Davidson & Davidson, 2012). Examining intrinsic motivation as the outcome in relation to feedback and self-efficacy will provide timely insight into how sales managers can provide the type of feedback which motivates salespeople and strengthens their self-efficacy. In response to this call for research (c.f., Dimotakis et al., 2017) and the inconsistencies surrounding feedback, this study investigates how different types of supervisory feedback (i.e., outcome performance feedback and capability feedback) interact to influence salesperson self-efficacy (i.e., perceived sales capabilities) and intrinsic motivation (feelings of challenge, growth, and accomplishment in the job). Note that we adopt perspectives of informational feedback from the work of Challagalla and Shervani (1996) on supervisory control as the conceptualizations (and operationalizations) of information related to sales output areas (sales volume, market share) and capability areas (selling skills, presentations) have been developed and used in the sales domain.

This research is structured in the following manner. We first review extant literature in the salesperson motivation domain to develop hypothesized relationships between conceptually relevant variables. The hypothesized relationships are then tested with data from 141 professional salespeople across seven industries, and the findings are reported. A discussion of the implications resulting from the analyses is then provided to clarify the contribution of this research to theory and practice. Finally, limitations and opportunities for future research are presented in the concluding remarks.

**THEORETICAL FOUNDATION AND HYPOTHESIS DEVELOPMENT**

**Social Cognitive Theory**

According to Social Cognitive Theory (SCT), human behavior is directed by three types of factors (i.e., personal, environmental, and behavioral) which reciprocally influence one another (Bandura, 1986; Wood & Bandura, 1989). Personal factors include attributes that characterize the individual, such as knowledge, personality, demographics, or cognitions (Bandura, 1986, 1991). Environmental factors are external to the individual, such as the social and physical environment, which influence individuals’ motivation and performance (Bandura, 1986, 1991). Behavioral factors are the patterns of behavior people acquire and sustain, which can be influenced by intervention strategies (Bandura, 1997).

Social Cognitive Theory maintains that the motivation of human behavior is governed by self-regulatory mechanisms, the strongest of which is self-efficacy (Wood & Bandura,
Self-efficacy is defined as “people’s judgment of their capabilities to organize and execute courses of action required to attain designated types of performances. It is concerned not with the skills one has but with judgments of what one can do with whatever skills one possesses” (Bandura, 1986, p. 391). To succeed at a task, one must possess both the requisite skills and the resilient belief in one’s capabilities to control events and accomplish the desired goal (Wood & Bandura, 1989). Believing in one’s ability to succeed in an activity is the foundation of human motivation, as people must believe they have the power to enact change for it to happen (Bandura, 2004).

Self-efficacy is the cognitive component of Social Cognitive Theory that governs individual motivation through a process in which the performance standards one aspires to are compared to the actual performance one achieves in a task (Wood & Bandura, 1989). By making satisfaction contingent in this way, people create self-incentives to direct their actions and help them persist in effort until their performance meets the standard (Wood & Bandura, 1989). In this cognitive comparison process, the motivational effects stem not from the standards (performance outcomes) themselves, but from the conditional requirements the person has established for behavioral evaluations that contribute to the achievement of the standards. Of relevance to the present research is the work of Challagalla and Shervani (1996) that makes a distinction between sales outcome feedback (the level of information employees receive from supervisors on performance, such as sales volume and market share) and capability feedback (the level of information employees receive from supervisors on skills, such as selling, communication, and presentations). Thus, extending the thinking to a social cognitive perspective, information an employee receives regarding performance outcomes, as well as critical behaviors, required to achieve the designated performance outcomes.

Cognitive evaluative comparison processes such as these require both a performance standard and knowledge of one’s actual behavior (Wood & Bandura, 1989). Neither standards without behavioral knowledge, nor behavioral knowledge without standards can have a lasting motivational effect (Bandura & Cervone, 1983; Becker, 1978; Strang, Lawrence, & Fowler, 1978). If one’s behavior consistently does not meet the performance standard, the cognitive evaluation process will reduce self-efficacy and subsequent motivation because self-efficacy mediates the relationship between intentions and cognitive motivation (Wood & Bandura, 1989). This implies that employees must receive informational feedback on key performance outcomes, as well as critical behaviors, required to achieve the designated performance outcomes.

**Capability Feedback and Salesperson Self-Efficacy**

Social Cognitive Theory has been validated in various fields of research, and marketing was the first domain to adopt SCT to examine human behavior in the organizational context (Wang & Netemeyer, 2002). Two aspects of SCT that are relevant to managing salespeople include developing capabilities through feedback and cultivating people’s confidence to use their talents effectively (Wood & Bandura, 1989). Further, a long recognized critical aspect of feedback is information available to individuals related to goal (outcome) obtainment (Ashford & Cummings, 1983).

It is important to differentiate capability feedback from outcome performance feedback because performance feedback (related to achieving an outcome or not) can have both positive and negative effects on efficacy and motivation (Aguinis et al., 2012; Dimotakis et al., 2017). Capability feedback, on the other hand, is more development as its focus is on critical behavior, which orients an individual as to what they can do to increase the likelihood of achieving an outcome. Feedback that helps salespeople strengthen their capabilities increases intrinsic motivation (Fatima & Azam, 2016), but intrinsic motivation decreases when salespeople perceive feedback to be a part of controlling performance (Deci & Ryan, 1985).

Feedback contributes to each component of the SCT triad (i.e., personal factors, environmental factors, and behavioral factors). Therefore, our hypotheses are proposed in the context of this triadic framework. Regarding personal factors
A Closer Look at Feedback... Smothers, Celuch and Williams

in the sales domain, feedback strengthens the knowledge salespeople have regarding the role they are required to fulfill (Weitz, Sujan, & Sujan, 1986). Evaluating salesperson capabilities provides diagnostic feedback, which helps salespeople evaluate their success in various selling situations (Mallin & Pullins, 2009). Sales managers can instill confidence in their salespeople by providing feedback which stimulates motivation and continuous improvement (Hawes & Rich, 1998).

Salespeople who receive capability feedback are more likely to attribute success to their mastery of the selling task rather than external factors (Miao & Evans, 2014). As noted previously, perceptions of mastery over a task is known as self-efficacy, as we define salesperson self-efficacy as the perception of mastery over the selling task. Self-efficacy is primarily developed through task mastery and verbal persuasion (Bandura 1977, 1986, 1997). Therefore, the more feedback (i.e., verbal persuasion) salespeople receive regarding their sales capabilities (i.e., task mastery), the higher their self-efficacy should be in performing the sales task (Hawes & Rich, 1998). Therefore, we hypothesize:

H1: Capability feedback will be directly related to salesperson self-efficacy.

Performance Feedback Moderation

According to Social Cognitive Theory, people develop behavioral patterns as they engage in the cognitive evaluation process to identify courses of action which produce desired results (Carroll and Bandura, 1987). The success or failure of these behavioral adjustments on task performance impacts self-efficacy, but these behavioral adjustments can be augmented through intervention strategies (Bandura, 1997). Feedback is an effective intervention tool to augment behavioral patterns and achieve a performance standard (Wood & Bandura, 1989).

Extant research indicates that feedback has the greatest impact when it conveys the individual’s level of capability to complete the task that relates to achievement of a performance standard (Burgers et al., 2015; Kluger & DeNisi, 1996). Miao and Evans (2012) found that controlling employee outcome performance has different effects than controlling their capabilities, so outcome performance feedback and capability feedback impact employee efficacy in different ways. Schmidt and DeShon (2010) validated the interaction of performance feedback and self-efficacy in finding that low levels of performance feedback reduced effort toward task accomplishment by reducing the amount of resources thought to be required to achieve the goal. Alternatively, high levels of performance feedback increased effort toward task accomplishment by clarifying the resources required (Schmidt & DeShon, 2010). The interaction between outcome performance feedback and self-efficacy occurs because feedback clarifies the achievability of the standard which either increases or decreases the individual’s confidence in his or her ability to meet that standard (Vancouver, Li, Weinhardt, Purl, & Steel, 2016).

Providing a standard to which performance can be benchmarked equips salespeople with a frame of reference to determine if their capabilities to accomplish the task are sufficient (Burgers et al., 2015). As outcome performance feedback strengthens or weakens self-efficacy (Wood & Bandura, 1989), it can be an effective intervention strategy in the development of self-efficacy. Therefore, we expect performance feedback to moderate the relationship between capability feedback and salesperson self-efficacy. Specifically, we hypothesize:

H2: Outcome performance feedback will moderate the relationship between capability feedback and salesperson self-efficacy, such that capability feedback will positively influence self-efficacy when outcome performance feedback is high.

Capability Feedback and Intrinsic Motivation

Factors that have a motivational impact but are external to the individual, such as social support or the physical environment, comprise the environmental factors of the Social Cognitive Theory triad (Bandura, 1986, 1991). Motivation is defined as a psychological state that influences the arousal, direction, and persistence of actions which are conditioned by need satisfaction (Mitchell, 1982). In the sales
context, salesperson motivation is the amount of effort a salesperson is willing to expend on the activities associated with the sales role (Walker, Churchill, & Ford, 1977). Two distinct types of motivation have been identified in extant research are intrinsic motivation and extrinsic motivation (Mallin & Pullins, 2009; Tyagi, 1982; Weitz et al., 1986). Intrinsic motivation develops from interest in an activity itself without the influence of an external reinforcement or reward (Warr 1979; Weiner, 1995). Alternatively, extrinsic motivation arises from the enticement of a reward or avoidance of a punishment that is separate from the activity itself (Cerasoli, Nicklan, & Ford, 2014; DelVecchio & Wagner, 2011). Salesperson motivation has predominantly been linked to extrinsic rewards, such as financial incentives and promotion opportunities (e.g., Cravens, Ingram, LaForge, & Young, 1993; Chonko, Tanner, & Weeks, 1992), but recent research has underscored the vital role intrinsic motivation also plays in salesperson motivation (Khusainova et al., 2018; Miao & Evans, 2012; Miao & Evans, 2007; Ryan & Deci, 2000).

An important source of intrinsic motivation for salespeople is a work environment that encourages the development of new capabilities (Ryan & Deci, 2000). Social Cognitive Theory indicates that factors in the work environment, such as social support, influence individual motivation (Ramirez, Kulina, & Cothran, 2012). Feedback that builds feelings of competence and confidence in one’s capabilities is a source of social support that facilitates intrinsic motivation (Ryan & Deci, 2000). Aguinis et al. (2012) underscored the importance of capability feedback in finding that feedback can motivate employees if it emphasizes strengths rather than weaknesses and frames ineffective behavior as a need for more knowledge and capabilities, which are changeable, as opposed to talents or personality which are relatively static. Therefore, we expect capability feedback to operate as a source of social support from the work environment to strengthen intrinsic motivation among salespeople. Specifically, we hypothesize:

**H₃:** Capability feedback will be directly related to intrinsic motivation.

**Salesperson Self-Efficacy Mediation**

Bandura (1997, p. 66) indicated that if employees are not receiving feedback “they are at a loss to know what skills to enlist, how much effort to mobilize, how long to sustain it, and when to make corrective adjustments to their strategies.” Like a rudder on a ship, feedback regarding capabilities serves as a steering mechanism to help employees adjust course and perform effectively. According to Social Cognitive Theory, the inexorable relationship between capability feedback and motivation is mediated by self-efficacy because it is the cognitive component that governs individual motivation (Wood and Bandura, 1989).

Motivation only exists if one believes they maintain the capabilities to be successful in an endeavor (Bandura, 2004). Fatima and Azam (2016) found that developing salesperson capabilities through feedback increased intrinsic motivation, but controlling salesperson activities reduced motivation by removing the opportunity to develop self-efficacy. Karl, O’Leary-Kelly, and Martocchio (1993) indicate that people with low self-efficacy need support, such as feedback and training sessions, to strengthen their task-related capabilities.

Once the requisite capabilities have been conveyed and are understood, individuals can engage in the cognitive evaluation process to ascertain which behaviors generate positive results and build confidence in their ability to match their behavior to the standard that has been established (Wood & Bandura, 1989). Motivation is not generated by the standards in this cognitive comparison process, but through the establishment of confidence in one’s ability to perform the task effectively (Wood & Bandura, 1989). Therefore, we expect capability feedback to influence intrinsic motivation through strengthening salesperson self-efficacy in performing the sales task. Specifically, we hypothesize:

**H₄:** Salesperson self-efficacy will mediate the positive relationship between the interaction of capability and outcome performance feedback and intrinsic motivation.
The hypothesized relationships are illustrated in Figure 1.

**METHOD**

**Subjects**

Data for this study were collected from professional salespeople in three states in the Midwest region of the USA. To enhance the generalizability of our findings, we targeted salespeople from the industrial equipment, wholesale trade, business services, insurance, communications, instruments and measurement, and electronics industry sectors. A list of sales offices in the target region was developed and the sales offices were then contacted to ask for participation in the study. To deliver the surveys, a drop-off distribution methodology was employed with trained assistants contacting the salespeople in each sales office to: (1) explain the nature of the study; (2) ask for their participation; (3) assure confidentiality for participants; and (4) answer questions about the study or the survey instrument itself. Research assistants either left the survey with the salespeople and arranged a pickup time and date or waited while the salespeople completed the survey. This procedure resulted in a response rate of 61% with a total of 141 usable surveys returned. The sample was predominantly male (62%) and ranged in age from 19 to 60 years with a mean age of 36 years. Fifty nine percent of the sample was in B2C sales and 41 percent of the sample was in B2B sales. Years of selling experience ranged from 1 to 41 years, with an average of 11 years selling experience. In addition, 32.6 percent of the sample had five or less years of sales experience, 34.1 percent had between 6 and 12 years of sales experience, and 33.3 percent had 13 or more years of sales experience.

**Measures**

The questionnaire included measures of salesperson perceptions regarding capability feedback, outcome performance feedback, self-efficacy, intrinsic motivation, and demographic descriptors. Construct measures were used or adapted from previously published scales that have exhibited acceptable levels of reliability and validity.

*Capability feedback and outcome performance feedback.* These constructs consisted of five and four items, respectively, measured on a seven-point scale ranging from “strongly disagree” to “strongly agree.” Capability feedback included items regarding the information employees receive from supervisors on skills such as selling,
communication, and presentations. Outcome performance feedback included items regarding the information employees receive from supervisors on performance measures such as sales volume and market share (Challagalla & Shervani, 1996).

Salesperson Self-efficacy. We assessed self-efficacy with sales professionals on customer-oriented behaviors which is consistent with Bandura’s (1986; 1997) articulation of self-efficacy as involving judgment of task-specific capabilities. This approach is consistent with prior self-efficacy research which assesses salesperson orientation towards customer concerns, the salesperson-customer relationship, and longer-term customer satisfaction (Franke & Park, 2006; Harris, Mowen, & Brown, 2005; Stock & Hoyer, 2005). The self-efficacy items were measured on a single unit interval 10-point Likert scale (“not at all confident” to “totally confident”) consistent with Ozer and Bandura (1990). Two response formats have been used in extant self-efficacy literature, one which uses a dual-judgment format assessing the magnitude and strength of self-efficacy for given performances, and an alternative which uses a single-judgment format (Maurer & Pierce, 1998). Given the practical efficiency of measurement, the single-response format was utilized in this research.

Intrinsic motivation. This construct was measured via three seven-point items relating to salesperson perceptions of the importance of accomplishment, personal growth, and challenge in their job (adapted from Tyagi, 1985). The items used to assess these measures is displayed in Table 1.

Results

The purpose of this study is to test for mediated moderation, such that outcome performance feedback moderates the relationship between capability feedback and self-efficacy which influence intrinsic motivation. As a precursor to analyses, reliability, convergent validity, and discriminant validity were assessed for multi-item measures. All measures were above recommended thresholds for Cronbach’s Alpha and composite reliability (reliabilities >.70) and the amount of variance extracted for each construct (AVEs >.50) (Fornell & Larker, 1981). Confirmatory factor analysis (AMOS 18) was used to assess the convergent validity of measures. Observed indicators were all statistically significant (p < .01) for their corresponding factors. Measurement model fit statistics $\chi^2 (115) = 167.21$, $p < .00$, NNFI = .90, CFI = .97, RMSEA = .06 suggest that the observed indicators are representative of constructs with the combination of NNFI, CFI, and RMSEA consistent with fit index standards recommended for good fitting models (Hu & Bentler, 1999; Hair et al., 2006; Bagozzi & Yi, 2012). Table 1 presents measures used in this study.

With respect to discriminant validity for all constructs, the amount of variance extracted for each construct is greater than the squared correlation between constructs (Fornell & Larker, 1981). In sum, these results provide support for the convergent and discriminant validity of the construct measures. Summated scores of the multi-item scales were used to address the research hypotheses. Table 2 provides the means, standard deviations, correlations, and reliabilities of measures.

Considered together, the proposed hypotheses suggest a mediated-moderation model (Preacher, Rucker, & Hayes, 2007). Preacher and Hays (2004) developed a procedure for a rigorous test of direct and indirect effects of an independent variable and potential moderators on a dependent variable through potential mediators. The approach utilizes a powerful “bootstrap” test by generating a sampling distribution from a researcher’s sample. This process allows for the generation of bias-corrected confidence intervals for indirect (i.e., mediated) effects.

Following Preacher et al. (2007), two regression equations were estimated. For the first equation, capability feedback, outcome performance feedback and the interaction term (capability x outcome performance feedback) are entered as predictors of self-efficacy. For the second equation, capability feedback, performance feedback, the interaction term (capability x outcome performance feedback), and self-efficacy are entered as predictors of intrinsic motivation.
Conditional process analysis is required with the hypothesized model as the effect of the independent variable should differ in strength as a function of the moderator and work through the mediator (Hayes, 2013). That is, the effect of capability feedback should be conditional on the level of outcome performance feedback and work through self-efficacy. The strength of conditional process analysis is that the procedure utilizes a bootstrapping technique to calculate “path” effects in the form of a confidence interval. Confidence intervals that exclude zero are evidence of an effect statistically different from zero. Thus, mediated moderation would be indicated when there is evidence for full mediation after accounting for the effects of moderated variables.

### TABLE 1:
Results of Confirmatory Factor Analysis

<table>
<thead>
<tr>
<th>Constructs and Items</th>
<th>Standardized Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capability Feedback</strong> <em>(Challagalla &amp; Shervani, 1996) (scaled: strongly disagree/strongly agree)</em></td>
<td></td>
</tr>
<tr>
<td>My manager has standards by which my selling skills are evaluated.</td>
<td>.81</td>
</tr>
<tr>
<td>My supervisor periodically evaluates the selling skills I use to accomplish a task.</td>
<td>.88</td>
</tr>
<tr>
<td>My manager provides guidance on ways to improve selling skills and abilities.</td>
<td>.85</td>
</tr>
<tr>
<td>My supervisor evaluates how I make sales presentations and communicate with customers.</td>
<td>.88</td>
</tr>
<tr>
<td>My manager assists by suggesting why using a particular sales approach may be useful.</td>
<td>.81</td>
</tr>
<tr>
<td><strong>Outcome Performance Feedback</strong> <em>(Challagalla &amp; Shervani, 1996) (scaled: strongly disagree/strongly agree)</em></td>
<td></td>
</tr>
<tr>
<td>My manager tells me about the level of achievement expected on sales volume or market share targets.</td>
<td>.82</td>
</tr>
<tr>
<td>I receive feedback on whether I am meeting expectations on sales volume or market share targets.</td>
<td>.78</td>
</tr>
<tr>
<td>My manager monitors my progress on achieving sales volume or market share targets.</td>
<td>.81</td>
</tr>
<tr>
<td>My manager ensures I am aware of the extent to which I attain volume or market share goals.</td>
<td>.87</td>
</tr>
<tr>
<td><strong>Salesperson Self-Efficacy</strong> <em>(Ozer and Bandura, 1990) (scaled: not at all confident/totally confident)</em></td>
<td></td>
</tr>
<tr>
<td>In regard to my self confidence in….</td>
<td></td>
</tr>
<tr>
<td>Listening attentively to customer concerns, I am</td>
<td>.72</td>
</tr>
<tr>
<td>Communicating clearly and concisely, I am</td>
<td>.80</td>
</tr>
<tr>
<td>Maintaining open, two-way communication, I am</td>
<td>.92</td>
</tr>
<tr>
<td>Contacting customers after the sale to determine if any problems or other opportunities exist, I am</td>
<td>.54</td>
</tr>
<tr>
<td>Taking actions to establish and/or enhance customer satisfaction, I am</td>
<td>.74</td>
</tr>
<tr>
<td><strong>Intrinsic Motivation</strong> <em>(Tyagi, 1985) (scaled: strongly disagree/strongly agree)</em></td>
<td></td>
</tr>
<tr>
<td>Regarding myself and my job, I feel that it is very important…</td>
<td></td>
</tr>
<tr>
<td>To receive strong feelings of worthwhile accomplishment</td>
<td>.79</td>
</tr>
<tr>
<td>To realize personal growth and development</td>
<td>.71</td>
</tr>
<tr>
<td>To have feelings of stimulating and challenging involvement in my work</td>
<td>.70</td>
</tr>
</tbody>
</table>

Note: All standardized coefficients are significant at p<.01.
The study variables were loaded into the Process macro (Hayes, 2013) in SPSS 24. Mean centering was used, given the potential effects of collinearity between regressor variables (independent variables and interaction term) required for analysis (Shieh, 2011). Results of the analysis to test the conditional effects model (Figure 1) are presented in Table 3.

Table 3 shows that hypotheses H\(_1\) and H\(_2\) were supported with a significant effect of capability feedback on self-efficacy and, more importantly, a significant interaction effect of capability and outcome performance feedback in the regression equation predicting efficacy (both \(p\) values < .01). Further, Table 3 shows that H\(_3\) was not supported with no significant direct effect of capability feedback on intrinsic motivation. However, more importantly, H\(_4\) is supported in that the proposed mediator, self-efficacy, is the only significant predictor in the equation predicting intrinsic motivation (\(p\) value < .01).

To depict the nature of the interaction associated with the first regression equation, slopes are plotted for individuals one standard deviation above the mean (Mean = 6.7) and for individuals one standard deviation below the mean (Mean = 4.3) for outcome performance feedback. Figure 2 displays the interaction effect on self-efficacy. As expected, at higher levels of capability feedback, higher levels of outcome performance feedback significantly enhanced salesperson self-efficacy (F=7.64, \(p\) < .05). In contrast, capability feedback does not have this effect on self-efficacy with a low level of outcome performance feedback (F=.36, \(p\) < .56).

Table 4 displays the bootstrapping results for the conditional indirect effect of capability feedback for one standard deviation below the mean, at the mean, and one standard deviation above the mean values of the moderator (outcome performance feedback) working through self-efficacy to influence intrinsic motivation. The “Effect” column in Table 4 shows as the value of the moderator increased, the effect of capability feedback working through self-efficacy also increased. Evidence of mediated moderation is provided by confidence intervals presented in the right-hand columns of Table 4. They show that outcome performance feedback positively moderated the link between capability feedback and intrinsic motivation through self-efficacy for the highest levels of outcome performance feedback as the confidence interval excludes zero.

As a precaution, variance inflation factors (VIFs) were examined to assess the effects of collinearity among the independent variables and interaction term in the models. For the first equation, VIFs ranged from 1.74 – 15.98. Given VIFs above 10 were observed, a procedure advocated by Hair et al. (2006) was used to assess multicollinearity. For the first equation, no condition indices were above the commonly used threshold of 30. For the second equation, VIFs ranged from 1.74 – 17.83. Again, condition indices were examined. Only one condition index exceeded the threshold of 30. For this index variance proportions

---

**TABLE 2:**

Descriptive Statistics, Correlations, and Reliabilities for Construct Measures

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Standard Deviation</th>
<th>X1</th>
<th>X2</th>
<th>X3</th>
<th>X4</th>
</tr>
</thead>
<tbody>
<tr>
<td>X1 Capability Feedback</td>
<td>4.9</td>
<td>1.49</td>
<td>.93</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>X2 Outcome Performance Feedback</td>
<td>5.5</td>
<td>1.17</td>
<td>.65**</td>
<td>.89</td>
<td></td>
<td></td>
</tr>
<tr>
<td>X3 Self-efficacy</td>
<td>8.4</td>
<td>1.05</td>
<td>.25**</td>
<td>.30**</td>
<td>.85</td>
<td></td>
</tr>
<tr>
<td>X4 Intrinsic Motivation</td>
<td>6.1</td>
<td>.79</td>
<td>-.02</td>
<td>.06</td>
<td>.32**</td>
<td>.72</td>
</tr>
</tbody>
</table>

**Correlation is significant at \(p<.01\). Alpha’s are shown on the diagonal.
above .90 for two or more variables were not observed. Thus, as a result of mean centering, a collinearity problem is not indicated (Hair et al., 2006).

In summary, consistent with predictions, receiving outcome performance feedback enhances the effect of capability feedback on self-efficacy. Specifically, when outcome performance feedback from a supervisor is higher, receiving higher levels of capability feedback has a strong positive effect on self-efficacy. In contrast, when outcome performance feedback from a supervisor is lower, receiving higher levels of capability feedback does not have a significant effect on self-efficacy. Furthermore, self-efficacy is found to fully mediate the combined influence of feedback on intrinsic motivation.

DISCUSSION

Theoretical Implications

Extant research is rife with conflicting findings regarding the impact of feedback on salespeople (Khusainova et al., 2019). When contradictory findings exist among direct relationships, it is often due to boundary conditions (i.e., moderating variables) causing the disparate results (Schmidt & DeShon, 2010). The mediated-moderation model supported in this study provides a more complete understanding of how different types of feedback impact salesperson self-efficacy and intrinsic motivation. As hypothesized, capability feedback shares a direct, positive relationship with self-efficacy, whereas outcome performance feedback moderates the relationship between capability feedback and self-efficacy.

Feedback valence (i.e., positive or negative feedback) has been conceptualized as different types of feedback (e.g., Burgers et al., 2015), but these are opposite ends of the same continuum. Alternatively, capability feedback and outcome performance feedback address unique categories of feedback, which is why each operates differently in their relationship to salesperson self-efficacy and motivation. This research provides evidence that different types of feedback can have unique and robust relationships with salesperson outcomes.

Social Cognitive Theory has been applied in a wide array of domains showing the reliability of this conceptual framework (Khusainova et al., 2017). While Social Cognitive Theory posits that behavioral, environmental, and personal factors share reciprocal direct relationships with one another (Wood & Bandura, 1989), this research extends this theory in finding that outcome performance feedback can operate as an intervention strategy in the triadic framework. This opens avenues for extensions of Social Cognitive Theory into relevant boundary conditions which may explain extant disparities, such as the impact of incentives on intrinsic versus extrinsic motivation.

Peesker, Ryals, Rich, & Boehnke (2019) conducted a qualitative examination of leader behaviors and found that sales leaders play a vital role in salesperson performance through behaviors, such as sales coaching, championing, collaborating, and customer engagement. These behaviors align with the social support environmental factor in Social Cognitive Theory and examining their relationship with relevant outcomes would make valuable extensions to this theory. The multidimensional nature of each of these behaviors (e.g., sales coaching entails supervisory feedback, role modeling, and trust) provides a broad foundation to make valuable contributions to current understanding. For example, effective sales coaching is likely to gain importance as the sales role expands into a more comprehensive capacity, so research in this domain is timely.

Managerial Implications

Although most managers believe providing feedback is important, many do not feel equipped to deliver it constructively (Aguinis et al., 2011). This concern is warranted as feedback can be counterproductive if salespeople perceive it to be restrictive, rather than develop capabilities (Deci & Ryan, 1985; Fatima & Azam, 2016). Feedback can be evaluative, descriptive, or comparative, each of which impacts motivation differently depending on the receiver’s regulatory focus (Hawkins, Kreuter, Resnicow, Fishbein, & Dijkstra, 2008).

As a result, providing the correct type of feedback which motivates and encourages...
salespeople to improve is not only important, it is difficult. This research provides empirical validation that the type of feedback sales managers provide has implications into how employees will likely respond. While managers’ style of feedback delivery is important, it cannot replace substance. Not only can sales managers strengthen salesperson self-efficacy and motivation, they can apply these findings to elevate their own self-efficacy and motivation by providing feedback effectively.

While feedback cannot always be what a salesperson wants to hear, it can be productive if delivered effectively. This skill is particularly important for salesperson managers as they are often the primary connection salespeople have with the organization. Therefore, providing feedback on the achievement of specific sales outcomes combined with ways to improve sales behaviors (prospecting, need assessment, presentation, and closing skills) would provide the most benefit to strengthen a salesperson’s confidence and engagement in their work. Extant research indicates that such feedback also strengthens the bond between managers and salespeople (Deci & Ryan, 1985; Ryan & Deci, 2000).

This mediated-moderation model provides a more complete understanding of how salespeople process and react to feedback from managers by showing the impact outcome performance feedback has on the relationship between capability feedback and self-efficacy. The implication is that managers should clarify what successful performance entails (i.e., key performance outcomes), as well as how employees can develop the skills needed to achieve that level of performance. We also find that self-efficacy fully mediates the relationship between feedback and intrinsic motivation. Therefore, managing salespeople by focusing on their selling capabilities enhances their confidence in performing the job effectively and increases the enjoyment they derive from the task itself. As a result, the salespeople will be more likely to exhibit higher engagement, performance, organizational commitment, and satisfaction (e.g., Khusainova et al., 2018).

While intrinsic motivation is a robust predictor of performance (Cerasoli et al., 2014), we find that extrinsic information (i.e., capability feedback and outcome performance feedback) can influence intrinsic motivation among salespeople. This is a valuable and efficient way to increase salesperson productivity using data rather than extrinsic incentives which can erode intrinsic motivation over time (Cerasoli et al., 2014). These findings indicate that managers can use feedback to make salesperson motivation less contingent on expensive incentives, such as monetary compensation, time off, preferential treatment, or other extrinsic rewards. Helping employees shift from an external locus of control to an internal locus of control by equipping them with task-related skills will reduce their motivational reliance on monetary compensation and increase the satisfaction they receive from the task itself.

For example, if the sales role now includes data analysis (Erevelles, Fukawa, & Swayne, 2016), managers can invest time in developing their team’s capabilities in this domain, thereby generating intrinsic motivation from interest in learning the new skillset. Economic limitations may at times prevent organizations from granting rewards, and these findings provide evidence of a sustainable source of motivation that is not influenced by the financial state of the organization. Thus, these implications contribute to the long-term well-being of both the salesperson and the organization. Furthermore, intrinsic motivation influences many other beneficial outcomes in addition to task performance, such as creativity (Shalley, Zhou, & Oldman, 2004; Zhang & Bartol, 2010), learning, and perseverance (Hennessey & Amabile, 2005), and proactivity and adaptability (Bande, Fernandez-Ferrin, Varela-Neira, & Otero-Neira, 2016). Managers should find usefulness in this research as facilitating intrinsic motivation is integral to solving complex and ambiguous problems in the workplace (Cerasoli et al., 2014). As routine tasks become automated and/or outsourced, creating and sustaining an intrinsically motivated workforce will increase in importance and will establish sustainable competitive advantages for organizations that are successful in this endeavor.

Managers can implement these findings into practice by providing employees with continual access to important performance metrics (see
<table>
<thead>
<tr>
<th>Antecedents</th>
<th>Self-Efficacy Coeff.</th>
<th>SE</th>
<th>p</th>
<th>Intrinsic Motivation Coeff.</th>
<th>SE</th>
<th>p</th>
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</thead>
<tbody>
<tr>
<td>Capability Feedback</td>
<td>-.74</td>
<td>.22</td>
<td>.00</td>
<td>-.11</td>
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<td>.54</td>
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<tr>
<td>Outcome Perf. Feedback</td>
<td>-.33</td>
<td>.16</td>
<td>.05</td>
<td>-.01</td>
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<td>.91</td>
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<tr>
<td>Capability Feed. X Outcome Perf. Feed.</td>
<td>.15</td>
<td>.04</td>
<td>.00</td>
<td>.07</td>
<td>.03</td>
<td>.82</td>
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<tr>
<td>Self-Efficacy</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>.33</td>
<td>.06</td>
<td>.00</td>
</tr>
<tr>
<td>Constant</td>
<td>9.73</td>
<td>.81</td>
<td>.00</td>
<td>3.63</td>
<td>.49</td>
<td>.00</td>
</tr>
</tbody>
</table>

- $R^2 = .19$
- $F(3, 137) = 10.80, p < .00$

- $R^2 = .18$
- $F(2, 138) = 14.62, p < .00$

**FIGURE 2:** Interactive Effects of Capability and Outcome Performance Feedback on Self-Efficacy
the four disciplines of execution by McChesney, Covey, & Hulin, 2012), and providing developmental feedback to strengthen their knowledge and skills. Extant research has shown that reducing ambiguity in task requirements and outcomes strengthens self-efficacy and performance (Schmit & DeShon, 2010). Technological advancements in recent years have increased our access to information which managers can leverage for productive outcomes. Managers can utilize technology and data to reduce ambiguity and improve the performance of their employees (Khusainova et al., 2018).

For example, hardware and software now exists which will record nuanced interactional behaviors. As part of sales training, managers can record salespeople in role-playing scenarios to refine and improve the feedback with respect to prospecting, need assessment, presentation and closing skills. Other tools, such as market trends and customer segmentation mapping, simplify the process of data collection and assessment which salespeople can use to identify who they should target, which can be linked to selling outcomes. A sales manager who can equip staff with the knowledge of how to sell and who they should be selling to is a powerful asset to the organization.

Even in the sales profession where extrinsic incentives are common and robust, we found significant effects of feedback and self-efficacy on intrinsic motivation. These relationships should be much stronger for intrinsically oriented jobs, such as customer relationship managers, human resource managers, or any role in which extrinsic incentives are less common. Furthermore, the growing focus on customer-orientation in the sales profession places greater importance on intrinsic motivation rather than just the rewards associated with high performance. Therefore, the findings of this analysis are not only useful for sales managers, they have robust implications for any manager seeking to strengthen, motivate, and retain quality employees.

**LIMITATIONS AND FUTURE RESEARCH**

As with most research investigations, there are limitations related to the data that could provide fruitful avenues for future research. While the data in this research came from seven different industries, it was all from salespeople. Future research could examine the replicability and generalizability across a variety of job types and occupations. Future examinations in this domain would also benefit from inclusion of objective measures, such as job performance or rewards earned, rather than self-reported measures. While common methods variance is less of a concern when analyzing moderation models because commons methods would reduce the strength of the moderating effect, it would add value to test these findings with a combination of subjective and objective data. Furthermore, the data used in this research were cross-

<table>
<thead>
<tr>
<th>Mediator</th>
<th>Value of Moderator*</th>
<th>Effect</th>
<th>Bootstrap SE</th>
<th>Lower Level CI</th>
<th>Upper Level CI</th>
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</thead>
<tbody>
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<td>Self-Efficacy</td>
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<td>.032</td>
<td>-.111</td>
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<tr>
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<td>5.52</td>
<td>.020</td>
<td>.028</td>
<td>-.033</td>
<td>.079</td>
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<tr>
<td>Self-Efficacy</td>
<td>6.70</td>
<td>.073</td>
<td>.033</td>
<td>.017</td>
<td>.156**</td>
</tr>
</tbody>
</table>

*Values for moderator are for the mean and +/- one SD from the mean. **signifies a 95% confidence interval.
A Closer Look at Feedback.

Smothers, Celuch and Williams

Mechanisms through which supervisory control influences self-efficacy and job outcomes.

Further research into the influence of the cognitive appraisal of information and/or rewards in control processes may also be implicated in efficacy perceptions (Gist & Mitchell, 1992). As such, an examination of the role of causal attributions in feedback-efficacy relationships would no doubt prove fruitful. Attributions are generally viewed as distinct from efficacy beliefs, as attributions involve assessments about causes of past behavior, whereas efficacy cognitions influence judgments of future performance capability (Gist & Mitchell, 1992). With feedback research showing that individuals are not merely passive receptors of feedback, but rather play an active role in its interpretation (Fedor, Buckley, & Eder, 1990), an examination of the feedback-cognitive appraisal process could further contribute to understanding the formation of efficacy perceptions in the selling domain.

A final avenue for potential fruitful research is examining the positive and negative valences of both capability and outcome performance feedback which would make a two-by-two matrix. Feedback valence of performance feedback has been studied (Burgers, Eden, Engelenburg, & Buningh, 2015), but this study utilizes the concept of capability feedback upon which future research can build. For example, applying capability feedback in the educational context in addition to, or in place of, grade feedback would be an intriguing area of research.

Further investigation of linkages between self-efficacy and employee behavior would increase understanding of effective behavioral control systems. Gist and Mitchell (1992) link efficacy assessment to an analysis of task requirements, but job responsibilities are not always clearly defined and often change over time. In fact, job responsibilities typically expand to match an individual’s level of competency (Coyle-Shapiro, Kessler, & Purcell, 2004). As a result, role perceptions are likely to impact a person’s view of the requisite tasks, as well as his or her self-efficacy to complete those tasks effectively. Therefore, future research could examine the relationship between role clarity, self-efficacy, and intrinsic motivation.

Another potential determinant of efficacy beliefs relates to aspects of supervisory control other than information sharing. Challagalla and Shervani (1996) note the significance of reward, and punishment dimensions in definitions of control. They delineate three types of control in sales contexts: output (e.g., sales volume/market share goals), activity (e.g., day-to-day activities such as number of calls made and paperwork completed), and capability (e.g., key selling skills of communication and negotiation). Combining these areas can provide for rich explorations of the supervisory control domain. As recognized by Challagalla and Shervani (1996), examining the influence of control on important intervening variables would contribute to better understanding the mechanisms through which supervisory control influences self-efficacy and job outcomes.

CONCLUSION

This research provides a more complete picture of the relationship between feedback, self-efficacy, and intrinsic motivation in the sales industry. Extant research has found both productive and detrimental effects of feedback in the workplace, which has led to calls for research on the boundary conditions of providing feedback effectively. In response to these calls, we analyze data from 141 sales professionals across seven industries and find (1) outcome performance feedback moderates the relationship between capability feedback and self-efficacy, and (2) self-efficacy fully sectional, so confidence in relationship causality could be strengthened if future research employs longitudinal explorations of these variables.

The interplay between extrinsic and intrinsic motivation has been a popular topic of debate, but Cerasoli et al., (2014) indicated that the two are not always competing and should be considered simultaneously. Since this research found the impact of extrinsic information provided by the sales manager on intrinsic motivation, a valuable avenue for future research is the examination of extrinsic incentives on intrinsic motivation. For instance, the impact of rewards for gaining new capabilities on self-efficacy and intrinsic motivation would be a valuable extension of this research.

Further research into the influence of the cognitive appraisal of information and/or rewards in control processes may also be implicated in efficacy perceptions (Gist & Mitchell, 1992). As such, an examination of the role of causal attributions in feedback-efficacy relationships would no doubt prove fruitful. Attributions are generally viewed as distinct from efficacy beliefs, as attributions involve assessments about causes of past behavior, whereas efficacy cognitions influence judgments of future performance capability (Gist & Mitchell, 1992). With feedback research showing that individuals are not merely passive receptors of feedback, but rather play an active role in its interpretation (Fedor, Buckley, & Eder, 1990), an examination of the feedback-cognitive appraisal process could further contribute to understanding the formation of efficacy perceptions in the selling domain.

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mediates the relationship between capability feedback and intrinsic motivation. This mediated-moderation model indicates that even extrinsic information can strengthen employees’ intrinsic motivation. Managers should not fear giving feedback and evaluating performance, but should use the opportunity to share developmental information and empower employees to excel in doing what they love.

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INTRODUCTION

Corporate advertising expenditures (advertising hereafter) represent investments in the promotion and advertising of products and services offered by firms. The decision on how much to invest in corporate advertising is an important strategic decision for firms, as advertising can be used to build awareness of the firm and its products/services, to reinforce or change customer attitudes, to build brands, and to communicate the firm’s sustainable competitive advantage. While these tend to be more customer-focused, marketers are faced with the challenge of justifying marketing expenditures (advertising included) and showing the impact of such expenditures on the success of the firm. In 2004, exploring the link between advertising and firm value was identified as a major research priority in marketing (Rust et al. 2004). Scholars responded to this priority with research focused on the relationship between advertising and equity performance (Conchar, Crask, and Zinkhan 2005; Edeling and Fischer 2016; Joshi and Hanssens 2009, 2010; Lou and Donthu 2006; Luo and de Jong 2012; Shah, Stark, and Akbar 2009; Srinivasan et al. 2009; Vitorino 2014).

The marketing literature supports an overall positive relationship between advertising and equity performance of the firm. Advertising spending has been shown to increase revenue and profit (Joshi and Hanssens 2009), to improve cash flow (Srinivasan et al. 2009), and to generate future growth in earnings (Graham and Frankenberger 2000). It is important to note that revenue, profit, cash flow, and earnings are all direct and indirect drivers of shareholder value. Advertising has also been shown to reduce the risk of firm cash flows (Srinivasan et al. 2009) and to positively impact stock returns (Joshi and Hanssens 2010). So, the marketing literature does support the use of advertising investments by managers as a competitive and strategic tool to create shareholder value.

Results of a recent meta-analysis of prior documented elasticities of the stock market impact from advertising confirm a positive and significant effect of advertising on shareholder value (Edeling and Fischer 2016). They document a wide dispersion in elasticities across industries and during economic contraction periods. The authors caution that their results are sensitive to research design and present four requirements for future analysis and research: addressing potential temporal variation in the data; the type of dependent variable used; inclusion of control variables for earnings; and whether to account for endogeneity. The current study seeks to add to the current body of knowledge by addressing the first three of these requirements.

Using an alternate framework to traditional methods, the purpose of this research is twofold. First, this manuscript adds to the...
This manuscript begins with a review of the existing literature pertaining to advertising and shareholder value. Next, the empirical method is introduced and explained, followed by a description of the sample and appropriate summary statistics. After the results, the manuscript concludes with a discussion of the managerial implications, limitations, and directions for future research.

**ADVERTISING & SHAREHOLDER VALUE**

Several channels explain the positive relation between shareholder value and advertising. These primarily include product market effects and spillover benefits. This section provides an overview of literature in this area.

Stigler’s (1961) information motive states that advertising provides information to customers regarding the features of existing and/or new products or services offered. Comanor and Wilson (1967) argue that advertising can be used to create brand equity, which results in the creation of long-term customers and, hence, revenue growth. Advertising may also be used to signal either product quality relative to substitute products (Milgrom and Roberts 1986) or the financial health of the advertising firm (Chauvin and Hirschey 1993). With the latter, managers use advertising activities to signal to customers that the firm is financially stable and able to meet product guarantees and warranties. Because financial stability normally relates to firm value, this suggests that advertising relates to shareholder value. Interestingly, Hozier and Schatzberg (2000) provide evidence of this relationship finding that firms terminating or even reviewing their contracts with advertising agencies experience decreases in shareholder value. Joshi and Hanssens (2010) divide advertising into its tangible and intangible contributions to shareholder value. Their findings provide evidence of the direct or tangible contribution of advertising to shareholder value via product markets. These findings provide support for the signaling value associated with advertising strategies.

In addition to product market effects, Joshi and Hanssens (2010) discuss that advertising can contribute to shareholder value through...
spillover benefits that ultimately reduce the cost of equity capital (i.e., the indirect or intangible contribution). Importantly, a lower cost of equity capital improves the firm’s competitive advantage in acquiring attractive capital investments. Results from the finance literature support the view of spillover benefits accompanying advertising. For example, Grullon, Kanatas, and Weston (2004) show that firms with higher advertising expenditures have increased breadth of ownership and stock liquidity, both of which normally increase shareholder value. Chemmanur and Yan (2009) find that managers increase their product market advertising around the issuance of equity. The authors argue that the increase in advertising improves visibility, which reduces the need for the underpricing of newly issued equity shares. Consistent with the above studies, Singh Faircloth, and Nejadmalayeri (2005) report a negative relation between the cost of capital and advertising levels, again suggesting a relationship between advertising and shareholder value.

The aforementioned theory and evidence have motivated an extensive body of literature in the marketing discipline to examine the relation between shareholder value and advertising expenditures. Much of the published research in this vein includes studies that focus on a handful of industries over short time periods to studies with samples that cover various industries over many years. Joshi and Hanssens (2010) analyze two industries (i.e., PCs and sporting goods) to determine the direct and indirect effect on advertising expenditures on shareholders. Their findings suggest that advertising increases sales, thus affecting shareholders indirectly. Specifically, increased sales should result in some degree of increased future cash flow—one of the drivers of shareholder value. Further, Joshi and Hanssens reason that advertising affects shareholders directly through investors’ perceptions of the firm, providing more support for the signaling argument. McAlister, Srinivasan, and Kim (2007) focus on a different driver of shareholder value—risk. Specifically, they find that advertising reduces the systematic risk of the firm, hence positively affecting shareholder value.

Findings presented by Srinivasan et al. (2009) provide evidence linking advertising to cash flow. Specifically, they find a positive link suggesting that advertising improves the degree and timeliness of cash flows and reduces the risk of that cash flow. Luo and de Jong (2012) suggest that financial analysts play an integral role in linking advertising spending to shareholder value. Specifically, the authors find that the relation between shareholder value and advertising is amplified when analysts incorporate the firm’s advertising spending into earnings forecasts. McAlister et al. (2016) report evidence consistent with firm strategy influencing the relation between shareholder value and advertising spending. Their results suggest that the market value of advertising is higher for firms that pursue a product differentiation strategy. The commonality in these studies is that advertising activities do not provide the same value across a cross-section of firms. While the samples and valuation models differ, the vast majority of the advertising research reports a direct relation between shareholder value and advertising expenditures. This positive relation is generally attributed to the aforementioned product market effects and spillover benefits associated with investments in advertising.

Finally, Edeling and Fischer (2016) via meta-analysis determine firm value elasticity as the measure of marketing input effectiveness (which includes advertising) and document a positive relationship between firm value and advertising. As firm value is synonymous with shareholder value, these findings go a long way towards confirming the positive relationship between shareholder value and advertising. However, they acknowledge a major difference in firm value elasticity and sales response elasticity with respect to marketing input effectiveness. Firm value is a function of discounted expected future cash flows, while the relationship between sales and marketing inputs is more direct, even monotonic. Edeling and Fischer (2016) further explain how marketing inputs affect profit and cash flows both positively (i.e., the benefit) and negatively (i.e., the actual cost of the marketing input representing an expense and a cash outflow for the firm). Because of this conflicting effect, the interpretation of firm value elasticity is
Advertising’s Monetary Contribution . . .

complicated. For example, a firm value elasticity of zero could indicate optimal investment in advertising, where a positive (negative) elasticity could indicate an underinvestment (overinvestment) in advertising. This limitation lends credibility to the need for an alternative metric for determining shareholder value.

Based on the aforementioned review of the literature, our expectation is to document a positive and significant relation in dollar terms between advertising and shareholder value. This expectation is stated formally in Hypothesis 1.

\[
H_1: \text{In dollar terms, shareholder value and advertising expenditures are positively related.}
\]

Despite a growing body of literature that examines the relation between advertising expenditures and various measures of financial performance, little attention has been devoted to examining temporal variation in the relation between advertising and shareholder value. As described above, there are various channels through which advertising can increase shareholder value, including product market effects and reduced firm risk. It is unlikely, however, that these channels provide a static way for advertising activities to increase shareholder value. In their 2016 meta-analysis of the stock market impact of marketing actions, Edeling and Fischer emphasize the importance of temporally aggregating data in future research. This remains a current issue for researchers in this area.

Advertising expenditure decisions, just like decisions on other marketing mix variables, are made in a complex and dynamic external environment. In instances where researchers are examining “a long data series,” the external environment can experience many changes, including changes in “consumer tastes, legislation, competitive activity, and intrafirm changes in strategy” (Winer 1979, p. 563). Researchers should not assume that hypothesized advertising-sales relationships are stable over time (Winer 1979), as failure to incorporate changes in the external environment could lead to results that undervalue advertising’s long-run effects (DeKimpe and Hanssens 1995).

Does the relationship between advertising and shareholder value persist across different time periods? We examine this question first across decades, then for five-year sub-groups, and finally on a yearly basis. Wildt and Winer (1983) state that “with such complex environments it is expected that the influence of decision/predictor variables on market performance will vary over time (and space where multiple cross-sections are considered)” (p. 366). Consequently, the relation between shareholder value and advertising is likely to vary over time as well. Thus, we expect to document substantial variation in the relation across firm years, as stated formally in Hypothesis 2.

\[
H_2: \text{In dollar terms, the relation between shareholder value and advertising expenditures displays temporal variation.}
\]

**EMPIRICAL METHODS**

**Excess Return Model**

We estimate the market value of advertising using a variant of the valuation framework presented by Faulkender and Wang (2006). This model is used to study the value implications of various aspects of corporate finance, including firm-level political activity and working capital behavior. The dependent variable of the regression model is specified as annual excess stock returns, while the independent variables control for financial characteristics that are generally accepted as determinants of shareholder value. Due to this model specification, a positively signed coefficient estimate suggests that an increase in the respective independent variable is associated with a return above the required return on equity (i.e., an excess return), much like the acquisition of a positive net present value investments.

The baseline model used to estimate the market value of advertising for the pooled sample period is shown below:
Our proxy for shareholder value is the firm's annual excess stock return \((ExRet)\), defined as the annual raw equity return minus the benchmark portfolio return. The raw equity return is the sum of the change in market value of equity and dividends scaled by lagged market equity. These variables are collected from the Center for Research in Security Prices (CRSP). The benchmark return series consists of the Fama and French (1993) 5x5 size and book-to-market portfolio sorts (formed at the end of June in year \(t\)). The size sort uses the firm's market value of equity as of the end of June in year \(t\), and the book-to-market sort uses the ratio of book value of equity at fiscal year-end in calendar year \(t-1\) and market equity at the end of December in calendar year \(t-1\). Overall, \(ExRet\) represents the equity return above or below that justified by the size and book-to-market ratio for a particular firm.

To mitigate the influence of omitted variables bias on the relation between shareholder value and advertising expenditures, we control for product market performance and investing and financing policies. We proxy product market performance with earnings before extraordinary items \((Earn)\). Edeling and Fischer (2016) specifically suggest the inclusion of an earnings control variable as it relates significantly and directly to shareholder value, which is left out of contemporaneous accounting performance. Control variables for investments, other than advertising expenditures, include research and development expense \((R&D)\) and total assets \((Assets)\). Controls for financing policies include interest expense \((IntExp)\), dividends \((Div)\), market leverage \((Lev)\), and net financing \((NetFin)\).

We account for variation in firm size by scaling the financial variables by the lagged market value of equity \((MVE_{it-1})\). The majority of prior marketing studies into this topic scale their financial control variables by either total assets or revenue. This difference is significant and provides the avenue for the methodological contribution of this study. Faulkender and Wang (2006) explain how scaling both the dependent (i.e., shareholder value) and independent variables (e.g., advertising) by the lagged market value of equity results in a coefficient that is interpreted as the dollar change in shareholder value resulting from a dollar change in the independent variable of interest—advertising in our case.

The time dummies are binary variables that control for time-varying unobserved variables that are potentially correlated with \(AdvExp\). We use multiple definitions for the time dummies, as described in the results section.

The variable of interest from Equation (1) is \(AdvExp\), defined as advertising expenditures scaled by the lagged market value of equity. Advertising expenditures capture managements' investment in the promotion and advertisement of the firm's products and services. As described in the Compustat data definition manual, “advertising expenses represent a firm's annual aggregate costs of advertising media (via radio, television, newspapers, and periodicals) and promotional expenses, separate from selling and marketing expenses.” Consequently, the coefficient on \(AdvExp \)\((\gamma_1)\) provides an estimate of the net monetary contribution in dollar terms of advertising on shareholder value, after controlling for product market performance, corporate investment, and financing policy. Hereafter, we refer to \(\gamma_1\) as the market value of advertising. We expect that \(\gamma_1\) will be positively signed and statistically significant for the pooled sample, as shown in the aforementioned literature.

## Temporal Variation Model

A limitation of the specification of Equation (1) is that the model restricts the relation between shareholder value and advertising to remain constant over time. Assuming a constant market value of advertising is likely an inappropriate assumption, especially over longer periods of time and given that firms are operating in complex and constantly changing external...
Advertising’s Monetary Contribution. . . .

Beauchamp, Beauchamp, Hill and Hill

environments (Winer 1979; Wildt and Winer 1983). To examine the temporal variation in the market value of advertising, we follow a “wide to narrow” approach. That is, we adjust Equation (1) in order to estimate the market value of advertising across decades, five-year subgroups, and for each sample year. Our results suggest substantial temporal variation in the market value of advertising.

SAMPLE AND SUMMARY STATISTICS

The initial sample consists of firms incorporated in the U.S. that are covered by the Compustat database. Our sample firms operate in various industries with clear operating differences that likely have ramifications on the success of advertising. For example, our sample firms operate in industries that focus on both B2B- (e.g., airplane manufacturer) and B2C-type (e.g., retailers) sales transactions. We exclude observations in the financial and utility industries and eliminate observations with negative values for assets, dividends, market value of equity, and revenues. Missing accounting data for required variables further restricts the initial sample size. Inclusion of the lagged market value of equity as a scalar results in the loss of the first observation per firm, as well as any non-consecutive firm-year observations. To mitigate the influence of outliers, we winsorize the dataset at the 1% level for the tails of the distribution for each financial variable appearing in Equation (1).

The usable sample consists of an unbalanced panel of 13,285 firm-year observations for 2,852 unique firms over the 1991-2010 period. Table 1 presents descriptive statistics for the sample. The sample mean and median for ExRet are 2.4% and -7.4%, respectively. As expected, these measures of location indicate that the distribution of excess equity returns is right-skewed. The summary statistics for the control variables are similar in sign and magnitude to those reported by studies that use variants of the Faulkender and Wang (2006) valuation methodology (e.g., Dittmar and Mahrt-Smith 2007; Hill et al. 2013; and Beauchamp et al. 2014).

The mean value for AdvExp is 6.50%, which indicates that the typical sample firm reports approximately $0.07 in annual advertising

TABLE 1: Descriptive Statistics

<table>
<thead>
<tr>
<th>Variables</th>
<th>N</th>
<th>Mean</th>
<th>Median</th>
<th>StdDev</th>
</tr>
</thead>
<tbody>
<tr>
<td>ExRet</td>
<td>13,285</td>
<td>0.024</td>
<td>-0.074</td>
<td>0.614</td>
</tr>
<tr>
<td>AdvExp</td>
<td>13,285</td>
<td>0.065</td>
<td>0.024</td>
<td>0.119</td>
</tr>
<tr>
<td>Earn</td>
<td>13,285</td>
<td>0.021</td>
<td>0.058</td>
<td>0.261</td>
</tr>
<tr>
<td>Assets</td>
<td>13,285</td>
<td>1.868</td>
<td>1.121</td>
<td>2.374</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>13,285</td>
<td>0.035</td>
<td>0.000</td>
<td>0.070</td>
</tr>
<tr>
<td>IntExp</td>
<td>13,285</td>
<td>0.060</td>
<td>0.015</td>
<td>0.135</td>
</tr>
<tr>
<td>Div</td>
<td>13,285</td>
<td>0.008</td>
<td>0.000</td>
<td>0.015</td>
</tr>
<tr>
<td>Lev</td>
<td>13,285</td>
<td>0.243</td>
<td>0.165</td>
<td>0.247</td>
</tr>
<tr>
<td>NetFin</td>
<td>13,285</td>
<td>0.017</td>
<td>-0.001</td>
<td>0.217</td>
</tr>
</tbody>
</table>

Notes: This table shows the sample characteristics of the 13,285 observations for 2,852 unique firms from 1991 to 2010. Variables are reported in decimal form. ExRet represents the annual excess stock return. With the exception of Lev, the remaining variables are scaled by lagged market value of equity. AdvExp is advertising expenditures. Earn is earnings, defined as earnings before extraordinary items. Assets is total assets. R&D is research and development expenditures. IntExp is interest expense. Div is common dividends. Lev is the market leverage ratio. NetFin is net new financing.
expenditures per $1 of market value of equity. In dollar terms, the sample reports over $71 billion in aggregate advertising expenditures during fiscal year 2010 alone. The positive skew in the distribution of AdvExp and the variable’s standard deviation show substantial cross-sectional variation in advertising expenditures. From these summary statistics we infer that advertising expenditures are economically significant and that certain sample firms spend substantially more than others on advertising activities. Further, the economic significance of advertising expenditures further motivates a better understanding of the temporal variation in the market value of advertising expenditures.

Table 2 presents the correlations between the financial variables included in Equation (1). Interestingly, we observe an insignificant pairwise correlation between ExRet and AdvExp. We discuss the insignificance of this correlation in greater detail within the context of the annual correlations between the variables. The correlations in the second column of the table indicate significant associations between AdvExp and the other independent variables. These correlations and the other significant cross-correlations motivate our discussion of the variance inflation factors obtained after estimating the baseline version of Equation (1).

Given the nature of our research question, we present in Table 3 the mean of AdvExp and the correlation between ExRet and AdvExp for each sample year. Column 2 shows that the annual sample size ranges between 288 observations in 1995 to 954 observations in 1991. Column 3 provides the annual mean value for AdvExp. The annual mean of AdvExp reaches a peak of 10.5% in 1991 and a minimum of 3.1% in 2007. Overall, the annual mean values in column 3 indicate substantial temporal variation in the relative level of advertising expenses for the sample.

The final column of Table 3 shows the pairwise correlation between ExRet and AdvExp for each sample year. The correlation between these variables is positive and significant in nine of the sample years. The correlations also show that the variables are negatively correlated in three of the sample years. Further, ExRet and AdvExp are uncorrelated in eight sample years. The observed variation in the annual correlations is consistent with the insignificance of the correlation between these variables for

---

TABLE 2: Correlation Analysis

<table>
<thead>
<tr>
<th></th>
<th>ExRet</th>
<th>AdvExp</th>
<th>Earn</th>
<th>Assets</th>
<th>R&amp;D</th>
<th>IntExp</th>
<th>Div</th>
<th>Lev</th>
</tr>
</thead>
<tbody>
<tr>
<td>AdvExp</td>
<td>0.012</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earn</td>
<td>0.360***</td>
<td>0.226***</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assets</td>
<td>0.068***</td>
<td>0.508***</td>
<td>0.320***</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R&amp;D</td>
<td>0.030***</td>
<td>-0.281***</td>
<td>-0.246***</td>
<td>-0.197***</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IntExp</td>
<td>-0.040***</td>
<td>0.454***</td>
<td>0.287***</td>
<td>0.769***</td>
<td>-0.295***</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Div</td>
<td>0.075***</td>
<td>0.031***</td>
<td>0.197***</td>
<td>-0.085***</td>
<td>-0.100***</td>
<td>-0.037***</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lev</td>
<td>-0.218***</td>
<td>0.373***</td>
<td>0.190***</td>
<td>0.671***</td>
<td>-0.303***</td>
<td>0.900***</td>
<td>-0.008</td>
<td></td>
</tr>
<tr>
<td>NetFin</td>
<td>-0.008</td>
<td>-0.089***</td>
<td>-0.151***</td>
<td>-0.070***</td>
<td>0.070***</td>
<td>-0.068***</td>
<td>-0.078***</td>
<td>-0.026***</td>
</tr>
</tbody>
</table>

This table presents Spearman correlation coefficients for the financial variables appearing in Equation (1). The sample consists of 13,285 observations for 2,852 unique firms from 1991 to 2010. ExRet represents the annual excess stock return. With the exception of Lev, the remaining variables are scaled by lagged market value of equity. AdvExp is advertising expenditures. Earn is earnings, defined as earnings before extraordinary items. Assets is total assets. R&D is research and development expenditures. IntExp is interest expense. Div is common dividends. Lev is the market leverage ratio. NetFin is net new financing. *, **, and *** denote statistical significance at the 10%, 5%, and 1%, levels, respectively.
Advertising’s Monetary Contribution. . .

Beauchamp, Beauchamp, Hill and Hill

the pooled sample shown in Table 2. We delay making further inferences regarding the association between \( \text{ExRet} \) and \( \text{AdvExp} \) until the presentation of our multivariate evidence.

MULTIVARIATE ANALYSIS

The remaining tables present multivariate regression results after estimating variants of Equation (1). Each regression model is estimated using OLS with standard errors that are robust to heteroskedasticity.

Baseline Evidence on the Market Value of Advertising

Table 4 displays our baseline results. We begin our analysis by highlighting the proportion of the variance of shareholder value that is explained by advertising expenditures. Column 1 presents results from a modified version of Equation 1 that drops advertising expenditures. From this model, we observe that \( \text{ExRet} \) is directly and significantly related to earnings, assets, research and development expenditures, and net financing. The results also suggest an inverse relation between shareholder value and the market leverage ratio. The observed statistical insignificance for dividends and interest expense represent departures from prior studies that use the Faulkender and Wang (2006) valuation model. These differences in results may be due to our particular sample period and sample restrictions. The R\(^2\) of the first model is 24.44%. Column 2 shows results after regressing shareholder value on advertising expenditures. As expected, shareholder value is positively related to advertising expenditures. The R\(^2\) for the parsimonious model indicates that advertising expenditures explain 2.27% of the variation in shareholder value.

**TABLE 3: Descriptive Statistics by Year**

<table>
<thead>
<tr>
<th>Year</th>
<th>( N )</th>
<th>Mean of ( \text{AdvExp} )</th>
<th>Correlation between ( \text{ExRet} ) and ( \text{AdvExp} )</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>954</td>
<td>0.105</td>
<td>0.025</td>
</tr>
<tr>
<td>1992</td>
<td>883</td>
<td>0.089</td>
<td>0.128***</td>
</tr>
<tr>
<td>1993</td>
<td>827</td>
<td>0.076</td>
<td>0.097***</td>
</tr>
<tr>
<td>1994</td>
<td>387</td>
<td>0.076</td>
<td>0.004</td>
</tr>
<tr>
<td>1995</td>
<td>288</td>
<td>0.092</td>
<td>-0.107*</td>
</tr>
<tr>
<td>1996</td>
<td>410</td>
<td>0.080</td>
<td>-0.009</td>
</tr>
<tr>
<td>1997</td>
<td>500</td>
<td>0.079</td>
<td>0.055</td>
</tr>
<tr>
<td>1998</td>
<td>508</td>
<td>0.065</td>
<td>0.107***</td>
</tr>
<tr>
<td>1999</td>
<td>528</td>
<td>0.072</td>
<td>-0.008</td>
</tr>
<tr>
<td>2000</td>
<td>570</td>
<td>0.076</td>
<td>0.007</td>
</tr>
<tr>
<td>2001</td>
<td>585</td>
<td>0.088</td>
<td>0.096**</td>
</tr>
<tr>
<td>2002</td>
<td>650</td>
<td>0.071</td>
<td>0.191***</td>
</tr>
<tr>
<td>2003</td>
<td>708</td>
<td>0.072</td>
<td>0.059</td>
</tr>
<tr>
<td>2004</td>
<td>767</td>
<td>0.045</td>
<td>0.116***</td>
</tr>
<tr>
<td>2005</td>
<td>798</td>
<td>0.036</td>
<td>0.107***</td>
</tr>
<tr>
<td>2006</td>
<td>796</td>
<td>0.034</td>
<td>0.131***</td>
</tr>
<tr>
<td>2007</td>
<td>795</td>
<td>0.031</td>
<td>-0.109***</td>
</tr>
<tr>
<td>2008</td>
<td>829</td>
<td>0.036</td>
<td>-0.102***</td>
</tr>
<tr>
<td>2009</td>
<td>828</td>
<td>0.073</td>
<td>0.313***</td>
</tr>
<tr>
<td>2010</td>
<td>674</td>
<td>0.040</td>
<td>-0.025</td>
</tr>
</tbody>
</table>

**Notes.** This table shows the time distribution of the sample. The full sample consists of 13,285 observations for 2,852 unique firms from 1991 to 2010. \( \text{AdvExp} \) is advertising expenditures scaled by lagged market value of equity. \( \text{ExRet} \) represents the annual excess stock return. The last two columns of the table show the mean of \( \text{AdvExp} \) and the pairwise correlation between \( \text{ExRet} \) and \( \text{AdvExp} \) by sample year. *, **, and *** denote statistical significance at the 10%, 5%, and 1%, levels, respectively.
Column 3 provides results for the full version of Equation (1). Despite the significant correlation coefficients reported in Table 2, the untabulated variance inflation factors (VIFs) for the baseline model suggest that multicollinearity has not unduly impacted the standard errors for the independent variables. The VIFs are available upon request. Overall, the statistical inferences shown in the full baseline model are consistent with those shown in columns 1 and 2, with the exception of the increase in the R².

The primary variable of interest is $AdvExp$. Results in column 3 suggest that shareholder value is positively and significantly ($p$-value = 0.003) related to advertising expenditures. This result, along with that shown in column 2, supports $H_1$. The strength of this relation is noteworthy, given that Equation (1) accounts for various financial characteristics that are generally accepted as determinants of shareholder value.

In addition to the statistical significance of advertising expenditures, the economic significance of the relation between $ExRet$ and $AdvExp$ is also of interest. The estimated marginal effect of advertising expenditures on shareholder value is determined by differentiating Equation (1) with respect to $AdvExp$. Since lagged market value of equity is the scale factor for both the left-hand and right-hand sides of the model, $\gamma_1$ represents the incremental change in shareholder value that is attributable to a $1$ increase in advertising.

### TABLE 4: Baseline Results

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$AdvExp$</td>
<td>0.527***</td>
<td>0.195***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>[0.000]</td>
<td>[0.003]</td>
<td></td>
</tr>
<tr>
<td>$Earn$</td>
<td>0.594***</td>
<td>0.575***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>[0.000]</td>
<td>[0.000]</td>
<td></td>
</tr>
<tr>
<td>$Assets$</td>
<td>0.120***</td>
<td>0.109***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>[0.000]</td>
<td>[0.000]</td>
<td></td>
</tr>
<tr>
<td>$R&amp;D$</td>
<td>0.711***</td>
<td>0.714***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>[0.000]</td>
<td>[0.000]</td>
<td></td>
</tr>
<tr>
<td>$IntExp$</td>
<td>0.242</td>
<td>0.006</td>
<td></td>
</tr>
<tr>
<td></td>
<td>[0.105]</td>
<td>[0.957]</td>
<td></td>
</tr>
<tr>
<td>$Div$</td>
<td>0.050</td>
<td>0.014</td>
<td></td>
</tr>
<tr>
<td></td>
<td>[0.130]</td>
<td>[0.961]</td>
<td></td>
</tr>
<tr>
<td>$Lev$</td>
<td>-1.300***</td>
<td>-1.190***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>[0.000]</td>
<td>[0.000]</td>
<td></td>
</tr>
<tr>
<td>$NetFin$</td>
<td>0.284***</td>
<td>0.273***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>[0.000]</td>
<td>[0.000]</td>
<td></td>
</tr>
</tbody>
</table>

**Notes:** This table presents OLS regressions estimating Equation (1). The full sample consists of 13,285 observations for 2,852 unique firms from 1991 to 2010. $ExRet$ represents the annual excess stock return. With the exception of $Lev$, the remaining variables are scaled by lagged market value of equity. $AdvExp$ is advertising expenditures. $Earn$ is earnings, defined as earnings before extraordinary items. $Assets$ is total assets. $R&D$ is research and development expenditures. $IntExp$ is interest expense. $Div$ is common dividends. $Lev$ is the market leverage ratio. $NetFin$ is net new financing. Model intercepts and annual time dummies are not tabulated due to space constraints. Standard errors are robust to heteroskedasticity. $P$-values appear in brackets. *, **, and *** denote statistical significance at the 10%, 5%, and 1%, levels, respectively.
expenditures. The initial estimate of market value of advertising expenditures is 0.195, which implies that an additional $1 in advertising expenditures increases shareholder value by roughly $0.20. Furthermore, a one standard deviation increase in the change in advertising expenditures implies a 2.32% (0.119*0.195) increase in excess return.

The positive relation between ExRet and AdvExp is consistent with previous research on the relation between shareholder value and advertising expenditures (Conchar, Crask, and Zinkhan 2005). This result is also consistent with the various motives of advertising activities, including improved product market performance (Leone 1995), spillover benefits (Joshi and Hanssens 2010), and a lower cost of capital (Singh, Faircloth, and Nejadmalayeri 2005).

Temporal Variation in the Market Value of Advertising

Next, we proceed by examining the temporal variation in the relation between shareholder value and advertising expenditures over the twenty-year sample period. Overall, our results provide strong support for H2, as we find consistent evidence of significant temporal variation in the market value of advertising. We follow a “wide to narrow” approach by first presenting variation in the market value of advertising by decade and then over five-year periods. Our analysis concludes with the presentation of the annual variation in the market value of advertising.

Columns 1 and 2 of Table 5 present results after estimating Equation (1) separately for both sample decades. The results indicate a positive estimate of $\gamma_1$ for both decades. The economic and statistical significance of the market value of advertising is higher for the observations occurring in the more recent decade. In fact, $\gamma_1$ is only marginally significant ($p$-value = 0.078) for the older decade (1990-1999).

We test for differences in the market value of advertising across the decades by including in Equation (1) the interaction term AdvExp*Dec90s. The variable Dec90s is a dummy variable set equal to 1 if the observation occurred during the period 1990 through 1999, 0 otherwise. The coefficient estimate for the market value of advertising during the latter portion of the sample period is 0.364. The negatively signed and statistically significant coefficient on AdvExp*Dec90s indicates a lower market value of advertising during the 1990s. The coefficient on the decade interaction term is -0.247, which implies a point estimate of $0.12 (0.364-(0.247*1))$ for the market value of an additional $1 spent on advertising in the 1990s. Overall, the results in Table 5 suggest that the value that shareholders place on advertising was significantly higher during the latter portion of the sample period, relative to the value ascribed to advertising in the 1990s.

Next, we examine the temporal variation in the market value of advertising by re-estimating Equation (1) across the four five-year panels that comprise the sample period (i.e., 1991-1995, 1996-2000, 2001-2005, and 2006-2010). We follow the same order as with the decade results by first presenting the market value of advertising for each five-year panel and then with a pooled model that includes multiple interaction terms.

The results for the five-year panels appear in Table 6. The columns of Table 6 are arranged in ascending order with respect to time. During the sample period 1991 through 1995, the market value of advertising is positive and marginally significant ($p$-value = 0.080). The market value of advertising is insignificantly different than zero over the sample period 1996-2000 (column 2). During the sample periods 2001 through 2005 and 2006 through 2010, we observe a dramatic increase in the economic and statistical significance of the market value of advertising.

The results in columns 1 through 4 are confirmed by those in column 5, which shows results for the pooled sample after adding to Equation (1) the interaction terms for the first three five year panels. Results in column 5 show a coefficient estimate on AdvExp of 0.463 for the base period of 2006-2010. Relative to the base period, the market value of advertising is significantly lower during the first two five-year panels. Meanwhile, the market value of advertising is insignificantly different across the 2001-2005 and 2006-2010 subgroups.
The findings in Table 6 confirm and extend the decade results shown in Table 5. Specifically, both sets of results indicate a lower market value of advertising during the earlier portion of the sample period. The five-year panel results indicate that the relation between excess returns and advertising expenses is particularly weak during the period 1996-2000.

We further refine our investigation of the temporal variation in the market value of advertising by re-estimating Equation (1) separately for each sample year. The results appear in Table 7. For clarity, we only tabulate results that pertain to the relation between excess returns and $AdvExp$. The full model results for each sample year are available upon request.

The results in Table 7 suggest that the relation between excess returns and advertising expenditures is conditional on the sample year. The coefficient estimate for $\gamma_1$ is positive and significant for only four of the twenty sample years. While $\gamma_1$ is negatively signed in 1994, 1995, 1999, 2000, 2007, and 2008, the coefficient estimates are statistically insignificant. Thus, the results do not suggest that advertising activities reduced shareholder value during the sample period. Overall, the relation between shareholder value and advertising is insignificantly different than zero in sixteen of the twenty sample years.

The sample years in which $\gamma_1$ is positive and significant include 1992, 2002, 2005, and 2006. The lack of positive and significant annual estimates for $\gamma_1$ during the first half of the sample period is consistent with the decade and five-year subgroup regression estimates presented in Tables 5 and 6, respectively. In terms of economic significance, the estimates for $\gamma_1$ during these years range from a maximum value of 0.687 in 2006 to a minimum value of 0.159.*
The mean of the annual estimates for $\gamma_1$ is 0.181, which is qualitatively and quantitatively similar to the point estimate of 0.195 from column 1 of Table 4. Thus, it appears that the positive and significant estimate of $\gamma_1$ for the pooled sample is primarily driven by the relation between excess returns and advertising expenses for a handful of sample years.

In total, these findings of temporal variation are important for advancing the current topic of advertising. The mean of the annual estimates for $\gamma_1$ is 0.181, which is qualitatively and quantitatively similar to the point estimate of 0.195 from column 1 of Table 4. Thus, it appears that the positive and significant estimate of $\gamma_1$ for the pooled sample is primarily driven by the relation between excess returns and advertising expenses for a handful of sample years.

Notes: This table presents OLS regressions estimating variants of Equation (1). The full sample consists of 13,285 observations for 2,852 unique firms from 1991 to 2010. ExRet represents the annual excess stock return. With the exception of Lev, the remaining variables are scaled by lagged market value of equity. AdvExp is advertising expenditures. Earn is earnings, defined as earnings before extraordinary items. Assets is total assets. R&D is research and development expenditures. IntExp is interest expense. Div is common dividends. Lev is the market leverage ratio. NetFin is net new financing. Model intercepts and indicator variables for time are not tabulated due to space constraints. Standard errors are robust to heteroskedasticity. P-values appear in brackets. *, **, and *** denote statistical significance at the 10%, 5%, and 1%, levels, respectively.
research. A key implication is that the value relevance associated with advertising is less pervasive than is commonly suggested in the existing literature. This has implications for those basing future research and managerial decisions on the general belief that, on average, advertising is positively and significantly related to shareholder value.

We posit two possible driving forces behind this finding. First, Edeling and Fisher (2016) suggest that recessions could affect the firm value elasticity relative to advertising expenditures due to advertising’s role in balancing revenue and mitigating increased cash flow volatility during contractionary periods. Lehmann (2004, p. 73) explains that marketing managers are under “increasing pressure to meet the numbers (i.e., deliver strong financial performance).” He goes on to explain that this pressure is highest during periods of economic weakness. Given that the years of significance in our study are all years where the U.S. economy either immediately followed a period of economic contraction (1992 and 2002) or experienced weak economic growth (2005 and 2006), economic weakness could, at least, partially explain our findings.

The goal of the marketing manager should be to optimize its advertising budget with the goal of maximizing shareholder value. However, several studies find that the optimality of advertising budgets varies over time or is time dependent (Edeling and Fischer 2016; Joshi and Hanssens 2010; and Raman et al. 2012). Again, our results could be partially explained by this time factor. Though this finding warrants further analysis, doing so is beyond the scope of the current study. The potential for further research is discussed below.

**DISCUSSION AND IMPLICATIONS**

Overall, we provide an empirical model positively relating firm advertising expenditures to shareholder value. Our model indicates that every $1 in advertising expenditures results in the addition of $0.20 in shareholder value over our sample period. However, we also document significant temporal variation in this relationship. Our results have important implications for academic researchers, marketing managers, analysts, and shareholders alike.

**Academics**

First, these findings should be of interest to academic researchers, as this study extends the growing body of knowledge relating advertising to shareholder value. Our research differs from previous work in this area by introducing the use of the firm’s annual excess stock return as a measure of shareholder value and by normalizing the explanatory variables by the market value of equity. Doing so allows researchers to analyze the relationship between advertising and shareholder value across different industries/sectors and to determine the exact monetary contribution of advertising to shareholder value. As a result, models can be estimated easily and can produce easily interpreted results. The findings also show the importance of considering time variance when utilizing a lengthy data series.

**Marketing Managers**

The findings of the current study should also help marketing managers connect to the C-Suite with respect to justifying marketing budgets and marketing’s contribution to the goal of the firm (i.e., maximizing shareholder value). Our framework allows marketing managers to determine the actual monetary contribution of advertising to shareholder value in dollar terms. This is akin in importance to corporate managers assigning a net present value to potential capital projects, which is the cornerstone of capital allocation decisions in corporate financial planning.

A global survey conducted in 2009 by McKinsey & Co. states that companies utilize rules of thumb and historical marketing allocations more often than quantitative measures when allocating marketing budgets (Doctorow, Hoblit, & Sekhar 2009). Our findings give managers the ability to predict (dollar for dollar) the impact of advertising on shareholder value past that of historical allocations and rules of thumb. This adds another dimension to the decision criteria currently used by marketing managers in allocating expenditures.
Advertising’s Monetary Contribution.

Beauchamp, Beauchamp, Hill and Hill

TABLE 7: Annual Variation

<table>
<thead>
<tr>
<th>Year</th>
<th>Sample Size</th>
<th>$\gamma_1$</th>
<th>3-Year Moving Average of $\gamma_1$</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>954</td>
<td>0.198</td>
<td></td>
</tr>
<tr>
<td>1992</td>
<td>883</td>
<td>0.355**</td>
<td></td>
</tr>
<tr>
<td>1993</td>
<td>827</td>
<td>0.232</td>
<td>0.262</td>
</tr>
<tr>
<td>1994</td>
<td>387</td>
<td>-0.17</td>
<td>0.139</td>
</tr>
<tr>
<td>1995</td>
<td>288</td>
<td>-0.027</td>
<td>0.012</td>
</tr>
<tr>
<td>1996</td>
<td>410</td>
<td>0.002</td>
<td>-0.065</td>
</tr>
<tr>
<td>1997</td>
<td>500</td>
<td>0.272</td>
<td>0.082</td>
</tr>
<tr>
<td>1998</td>
<td>508</td>
<td>0.249</td>
<td>0.174</td>
</tr>
<tr>
<td>1999</td>
<td>528</td>
<td>-0.200</td>
<td>0.107</td>
</tr>
<tr>
<td>2000</td>
<td>570</td>
<td>-0.114</td>
<td>-0.022</td>
</tr>
<tr>
<td>2001</td>
<td>585</td>
<td>0.178</td>
<td>-0.045</td>
</tr>
<tr>
<td>2002</td>
<td>650</td>
<td>0.481**</td>
<td>0.182</td>
</tr>
<tr>
<td>2003</td>
<td>708</td>
<td>0.366</td>
<td>0.342</td>
</tr>
<tr>
<td>2004</td>
<td>767</td>
<td>0.368</td>
<td>0.405</td>
</tr>
<tr>
<td>2005</td>
<td>798</td>
<td>0.685*</td>
<td>0.473</td>
</tr>
<tr>
<td>2006</td>
<td>796</td>
<td>0.687**</td>
<td>0.580</td>
</tr>
<tr>
<td>2007</td>
<td>795</td>
<td>-0.281</td>
<td>0.364</td>
</tr>
<tr>
<td>2008</td>
<td>829</td>
<td>-0.115</td>
<td>0.097</td>
</tr>
<tr>
<td>2009</td>
<td>828</td>
<td>0.408</td>
<td>0.004</td>
</tr>
<tr>
<td>2010</td>
<td>674</td>
<td>0.055</td>
<td>0.116</td>
</tr>
</tbody>
</table>

Notes: This table presents OLS regressions estimating annual versions of Equation (1), where the dependent variable is specified as excess returns (ExRet). The full sample consists of 13,285 observations for 2,852 unique firms from 1991 to 2010. The term $\gamma_1$ represents the annual coefficient estimates on AdvExp (advertising expenditures scaled by lagged market value of equity). The last column of the table provides the 3-year moving averages for $\gamma_1$. For clarity, this table does not show results for the full set of controls specified in Equation (1). Standard errors are robust to heteroskedasticity. *, **, and *** denote statistical significance at the 10%, 5%, and 1%, levels, respectively.

However, our findings of temporal variation in the market value of advertising suggest that investments in advertising yield returns in excess of the cost of equity capital in some years, but not every year. Put another way, the ability of managers to strategically use advertising to increase shareholder value varies over time. This inference is intuitive as advertising expenditures should not be expected to provide returns in excess of the required return on equity (i.e., excess returns) into perpetuity. We emphasize that the observed temporal variation in the market value of advertising does not necessarily suggest that managers waste corporate funds on advertising activities. In fact, none of our results suggest that advertising significantly reduces shareholder value. It appears that in most of our sample years advertising provides returns that are commensurate with the required return on equity. Therefore, marketing managers can justify their marketing budgets on an annual basis in terms of the promotion of goods and services for the firm with an added benefit of adding shareholder value in some years.

As a result, marketing managers should adjust their campaigns optimally with the goal of maximizing its effectiveness of promotion while minimizing its cost. Doing so will increase the probability of advertising significantly contributing to shareholder value.

Analysts and Shareholders

Finally, our results should be of interest to analysts and shareholders which already monitor and factor ad spending into their forecasts. Advertising spending has helped investors form expectations regarding a firm’s future cash flows (Chauvin & Hirschey 1993). Lou and de Jong (2012) also found that “The more analysts factor in firm advertising spending and reflect it in their earnings
forecasts, the more likely the benefits of advertising are channeled into firm value” (p. 605). The results of this research build on this by providing analysts and shareholders with a more comprehensive and straightforward metric for determining advertising’s effect on shareholder value. The ability to compare advertising to shareholder value on a dollar-for-dollar basis provides analysts with enhanced predictive capability. The result is improvements in earnings estimates, price projections, and buy/sell recommendations.

However, the documented temporal variation in the current study should encourage analysts and shareholders to continually engage in the active monitoring of corporate advertising expenditures and demand increased disclosure on advertising activities and strategy. This will aid analysts in the continuous improvement of their valuation model assumptions and should have a direct impact on the buy-sell recommendations they periodically issue. Of course, these buy-sell recommendations have implications for investors and money managers with respect to the allocations across their portfolios. These results also suggest that it is in the best interest of corporate managers to actively work with analysts and investors to convey information regarding advertising activities and strategy (and all other marketing activity, as well). There is no downside to doing so, and the upside is an amplification of the contribution of advertising to shareholder value in those years the contribution occurs.

Limitations and Implications for Future Research

Our data cover U.S. firms (financial and utility excluded) in the Compustat database for the years 1991 through 2010. In 1994, Securities and Exchange Commission (SEC) issued Financial Reporting Release No. 44 (FRR44), which relaxed the requirement of public firms to disclose information deemed by management to be immaterial, including advertising expenses. This change in accounting standard impacted our sample. We followed the procedure set forth by previous researchers in this area (Grullon, Kanatas, and Weston 2004; Luo and de Jong 2012; Singh, Faircloth, and Nejadmalayeri 2005; Vitorino 2014; Wang, Zhang, and Ouyang 2009) and dropped
Advertising’s Monetary Contribution...  

observations with missing advertising expenditures or those with a value of zero. With this in mind, a future research opportunity exists to reevaluate this study using alternative sources of advertising expenditure data (e.g., TNSMI/CMR data). Alternative sources might allow for the analysis of different types of advertising expenditures (e.g., television) on shareholder value.

Our study suggests new lines of inquiry with respect to the relation between shareholder value and advertising activities. First, while we document temporal variation in the market value of advertising, we do not explain the causal mechanism underlying this temporal variation. Why is advertising significantly effective only in certain years? Additional research is needed to refine our understanding of why shareholders ascribe value to advertising in certain years but not in others. Specifically, future research should concentrate on how economic weakness affects the advertising and shareholder value relationship. Researchers should also examine the mechanisms around managers rebalancing their advertising budgets around optimality.

Second, using annual excess stock returns as a proxy to measure shareholder value reveals several avenues for future research in marketing. With this new measure, researchers could examine the relationship between other marketing variables (e.g., new product sales or brand sales) and shareholder value. Doing so would allow marketing managers to compare sales of new products to shareholder value or to compare brand sales to shareholder value. Once again, these would be dollar for dollar comparisons. It would also be extremely interesting to compare the relationship between different types of advertising and shareholder value. Those results could be very telling for marketing managers trying to allocate marketing spending across different types of media.

Finally, an improved understanding of factors that interact with the shareholder value-advertising relation should be of interest to researchers. A growing but relatively nascent literature stream examines non-linearity in the relation between shareholder value and advertising. Still, further research is needed to refine our understanding of the factors that influence the market value of advertising. These factors could be readily framed within the context of the theoretical motives of advertising activities.

REFERENCES


expenditures to earnings and market values,” *Journal of Business Research, 50*(2), 149-55.


NOTES

We first apply the baseline model to the pooled sample to facilitate comparisons to results presented in the existing literature.
We appreciate Ken French for providing this data series.

Hereafter, we suppress the scaling of the independent variables. For example, \( \frac{\text{Earn}}{\text{MVE}} \) refers to \( \frac{\text{Earn}_{t}}{\text{MVE}_{t-1}} \).

The calculations and Compustat variable names follow. Market value of equity, \( \text{MVE} \), is number of shares (CSHPRI:54) multiplied by share price at fiscal year-end (PRCC_F:199). \( \text{AdvExp} \) is advertising expense (XAD:45). \( \text{Earn} \) is earnings before extraordinary items (IB:18) plus interest expense (XINT:15), deferred tax credits (TXDI:50), and investment tax credits (ITCI:51). \( \text{R&D} \) is research and development expenditures (XRD:46). \( \text{Assets} \) is total assets (AT:6). \( \text{IntExp} \) is interest expense. \( \text{Div} \) is common dividends paid (DVC:21). \( \text{Lev} \) is market leverage, defined as long term debt (DLC:34) plus debt in current liabilities (DLTT:9) divided by the sum of market value of equity, long term debt, and debt in current liabilities. \( \text{NetFin} \) is net financing, calculated as equity issuance (SSTK:108) minus repurchases (PRSTKC:115) plus debt issuance (DLTIS:111) minus debt redemption (DLTR:114).

A detailed breakdown of our sample firms by industry affiliation is available upon request.

We follow Faulkender and Wang (2006) and set deferred tax credits (TXDI:50), investment tax credits (ITCI:51), and research and development expenditures (XRD:46) equal to zero if missing. In 1994, the SEC issued FRR44, which no longer required public firms to disclose advertising costs if management deemed the costs immaterial. We follow previous literature (Gruillon, Kanatas, and Weston 2004; Luo and de Jong 2012; Singh, Faircloth, and Nejadmalayeri 2005; Vitorino 2014; Wang, Zhang, and Ouyang 2009) and drop observations with advertising expenditures that are missing or that equal zero.

We thank the editor for suggesting this addition to our analysis.