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Understanding and managing the link between firms' strategic risk-taking and salespeople's defensive behavior in price negotiations

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ABSTRACT

This study investigates how firms' strategic risk-taking affects salespeople's defensive behavior in price negotiations with clients, a major performance driver for firms. Despite the importance of firms' strategy for salespeople's job activities, research has thus far neglected it as an antecedent of salespeople's negotiation behavior. Drawing on the expectancy theory, we theorize and test (1) how a firm's risk-taking strategy affects a salesperson's defensive behavior in price negotiations and (2) which levers sales managers must handle to control this relationship to the firm's benefit. To this end, we conduct a multi-method investigation comprising a scenario experiment with 134 business-to-business (B2B) salespeople and an online survey with 377 B2B salespeople. The results reveal that in negotiations with clients, salespeople tend to show lower effort in defending their firm's position when they perceive the firm's strategy as risk-oriented. Importantly, sales managers can counteract this negative effect by bolstering salespeople's instrumentality and expectancy of defending the firm's position during price negotiations: When salespeople receive outcome-based compensation, particularly combined with pricing authority, the negative impact of the firm's risk-taking strategy on salespeople's defensive behavior is reduced.

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Sales management; price negotiations; firm strategy; defensive negotiation behavior

In price negotiations with clients, defending their firm's positions and interests is critical for salespeople, particularly in the business-to-business (B2B) context. Research estimates that a 1% increase in prices boosts firm profits by 11% (Marn, Zawada, and Roegner 2004). In B2B settings, defending one's own negotiation position is even more crucial because price negotiations with clients occur frequently and are the primary approach for determining the terms and conditions for the sale of goods or services (Geiger 2017; Mayer and Voeth 2022).

At the same time, defending their negotiation position remains a key challenge for B2B salespeople and their managers. Salespeople need to expend a great amount of effort on defending their price position, as price negotiations entail tense bargaining with buying agents who are specialized in achieving the best purchasing conditions possible (Henke, Yeniyurt, and Zhang 2009). To defend their position, for example, salespeople need to convincingly communicate the unique value their products and services offer to customers (Carrington 2024; Makela 2023). Yet, evidence suggests that salespeople depart from their initial negotiation position too often and unsystematically, leading to an erosion of the firm's profit (Homburg, Schäfer, et al. 2012). A myriad of practitioner articles, guides, and reports mirrors the continuing managerial importance of price negotiations, from the 1990s (e.g. Ertel 1999; Keough 1993) up until today (e.g. Friedman 2022; Sebenius et al. 2021). In particular, understanding what drives B2B salespeople's defensive behavior in price negotiations remains of key managerial interest (e.g. Harms and Sands 2023; Tey et al. 2021).

Against the challenging backdrop of price negotiations, a key theme that both academic and practitioners' literature on negotiation emphasize is the role of risk and risk-taking. Practitioners report that price negotiations are inherently risky from a business and salesperson perspective because salespeople must find the balance between enforcing their own negotiation position and not endangering a negotiation agreement in the first place (e.g. Alfred 2022; Paranikas et al. 2015). In line, academic literature finds that salespeople's effort on defensive behavior constitutes a means for controlling the risk in price negotiations with clients (e.g. Wilken et al. 2010). Thus, risk-avoiding negotiators focus on stabilizing their own negotiation outcome by relying on defensive behaviors, while risk-taking negotiators tend to rely on a more aggressive and less cooperative negotiation style (e.g. Mintu-Wimsatt and Graham 2004; Westbrook 1996).

Consequently, a firm's strategy – specifically with regard to risk – should also play a critical role in salespeople's efforts on defensive behavior. As salespeople are boundary spanners between a firm and its customers, they take a key role in executing their firm's strategy (Johnson and Sohi 2014), and conversely, the firm's strategy is a key factor

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influencing salespeople's behavior (e.g. Guenzi, Luca, and Troilo 2011; Terho et al. 2015). Accordingly, a firm's strategy also forms a critical context variable for salespeople's price negotiations with clients (Neale and Northcraft 1991; Zoltners, Sinha, and Lorimer 2008).

On a firm level, risk-taking strategies imply that firms embrace risk in making business decisions, taking action, and testing new approaches – as opposed to acting conservatively and relying on proven procedures (Hughes and Morgan 2007; Venkatraman 1989). In line, risk-taking firms are open to breaking away from established routines and, to some degree, accepting failure (e.g. Baird and Thomas 1985; Lumpkin and Dess 1996). By that, the degree of strategic risk-taking shapes employees' perception of the organizational risk-taking climate and evaluation of accepted behavior (García-Granero et al. 2015). Thus, a firm's strategic choices affect the culture and climate persistent within an organization (see Web Appendix A, Table A1, for a detailed comparison of strategy and related concepts).

As a firm strategy dimension, risk-taking plays an increasingly prominent role as a prerequisite to navigating today's turbulent market environments. For example, rapid advancements in technology require firms to take strategic risks in terms of innovating business models (Chui et al. 2023; Davenport et al. 2020). Relatedly, firms' strategic risk-taking becomes essential for success in today's markets of rapidly changing consumer behavior and rising competition (e.g. Drenik 2022; Vella 2023). Furthermore, today's globalized markets and complex geopolitical dynamics cause firms to reevaluate their business models, explore new markets, and prepare for shifts in geopolitical dynamics that could impact their operations (e.g. Astvansh, Deng, and Habib 2022; Depoux et al. 2023). Firms' risk-taking becomes again crucial when external shocks, such as climate change or the COVID-19 pandemic, introduce new market realities (Dilda et al. 2021).

Despite evident practitioner importance and a growing body of literature on the drivers of salespeople's behavior in price negotiations, the role of a firm's risk-taking strategy in price negotiations remains opaque (Table 1). Related literature exists in two main streams. The first stream examines individual characteristics (e.g. salespeople's expertise and behavior) and managerial levers (e.g. incentives and pricing authority) as antecedents of salespeople's defensive negotiation behavior (e.g. Homburg, Jensen, et al. 2012; Kassemeier et al. 2022). However, this first stream neglects aspects related to organizational design as an important antecedent of salespeople's defensive behavior. The second stream examines organizational design as an antecedent of salespeople's *general* negotiation behavior (i.e. negotiation behavior that does not specifically relate to defensive behavior). Such antecedents include a firm's structure (Mintu-Wimsatt and Calantone 1996; Mintu-Wimsatt and Graham 2004) and culture (e.g. Williams and Attaway 1996). While studies in this second stream indicate that a salesperson's broader organizational context matters for negotiation behavior, they neither examine strategy nor *defensive* negotiation behavior in particular.

We address this research gap. Specifically, this investigation focuses on understanding the impact of a firm's risk-taking strategy on salespeople's defensive behavior in price negotiations. We examine two overarching research questions: (1) How does a firm's risk-taking strategy affect salespeople's defensive behavior during price negotiations? And (2) Which levers must sales managers handle to control this relationship to a firm's benefit? To this end, we conducted two studies: a multi-method investigation comprising a scenario experiment with 134 B2B salespeople (Study 1) and a cross-industry survey with 377 B2B salespeople (Study 2). We deduce our hypotheses from expectancy theory (Vroom 1964), an established theory in sales research (e.g. Berkmann et al. 2023; Miao, Evans, and Li 2017).

We provide three key insights for research. First, we demonstrate the relevance of the firm's risk-taking strategy for salespeople's price negotiation behavior and outcomes. We find that a firm's risk-taking strategy decreases salespeople's defensive behavior in price negotiations. Specifically, when a firm engages in strategic risk-taking, salespeople perceive the firm to emphasize the profit margin less when managing the firm. In turn, salespeople defend their position in negotiations with lower effort. The reduced defensive behavior, in turn, harms salespeople's performance. These insights fill an existing research void (Table 1: Contribution 1) and address the call to examine how organizational aspects influence salespeople's negotiation behavior (Herbst, Voeth, and Meister 2011).

Second, we reveal how sales managers can intervene to achieve the desired behaviors and outcomes by identifying contingencies of the impact of the firm's risk-taking strategy on salespeople's price negotiation behavior. Sales managers may offset the negative impact of the firm's risk-taking strategy on salespeople's defensive behavior by offering outcome-based compensation. Further, increasing the pricing authority of salespeople can strengthen the moderating impact of outcome-based compensation. We thus extend prior research on the antecedents of salespeople's defensive behavior in price negotiations and encourage sales managers to consider the broader context of their organization's characteristics when managing their salespeople (Table 1: Contribution 2).

Third, our research makes contributions to expectancy theory by showing how the organizational context impacts salespeople's valence (i.e. desirability) of outcomes. While previous studies have linked salesperson valence to demographic, personal, or job characteristics (e.g. DeCarlo and Lam 2016), our findings highlight the role of salesperson's perception of the organizational context as drivers of valence and subsequent behavior, paving the way for future research in this domain.

Theory and conceptual framework

Theoretical background

Expectancy theory builds the background of our conceptual framework. At the core of expectancy theory are factors that drive an individual's motivation to pursue a specific behavior or outcome. Specifically, expectancy theory proposes that an individual's motivation to exert effort on a given task is driven by three components: valence, instrumentality, and expectancy (Vroom 1964). *Valence* refers to an individual's perceived desirability of an outcome. *Instrumentality* refers to an individual's belief that performing a task will lead to a specific outcome; thus, instrumentality is an individual's perception of the linkage between job performance and the

Table 1. Selected research streams relevant to our research.

Authors (year)	Market focus	Methodological approach	Focal antecedent of negotiation behavior	Consideration of salesperson's defensive behavior in negotiations	Examination of the interaction between focal antecedent and sales-specific managerial levers
Stream 1: Individual characteristics and managerial levers as antecedents of salespeople's defensive behavior in negotiations *Gap 1: Stream does not examine organizational design as an antecedent of salespeople's defensive behavior in negotiations.*					
Weinberg (1975)	–	Agency theoretic model	Incentives	(✓)	–
Weinberg (1978)	–	Agency theoretic model	Incentives	(✓)	–
Stephenson, Cron, and Frazier (1979)	B2B	Survey with wholesalers	Pricing authority	(✓)	–
Lal (1986)	–	Agency theoretic model	Incentives	(✓)	–
Ganesan (1993)	B2C	Survey of retail buyers	Long-term orientation	✓	–
Bhardwaj (2001)	–	Game theoretic model	Pricing authority	(✓)	–
Joseph (2001)	–	Decision theoretic model	Incentives	(✓)	–
Desai and Purohit (2004)	–	Game theoretic model	Pricing authority	(✓)	–
Wilken et al. (2010)	B2B	Negotiation simulation	Information provision	✓	–
Homburg, Jensen, et al. (2012)	B2B	Cross-industry survey with sellers	Pricing authority	✓	✓
Wieseke, Alavi, and Habel (2014)	B2C	Field study in retail, negotiation simulation	Salesperson behavior	(✓)	–
Alavi, Wieseke, and Guba (2016)	B2C	Field study in retail	Salesperson expertise	(✓)	✓
Alavi et al. (2018)	B2C	Field study in retail	Leadership	✓	✓
Kassemeier et al. (2022)	B2C	Survey of retail sellers and buyers	Salesperson behavior	✓	✓
Stream 2: Organizational design as an antecedent of salespeople's general behavior in negotiations[1] *Gap 2: Stream does not examine salespeople's defensive behavior in negotiations and neglects strategy as an antecedent.*					
Mintu-Wimsatt and Calantone (1996)	B2B	Cross-sectional survey	Structure	–	–
Williams and Attaway (1996)	B2B	Cross-sectional survey	Culture	–	–
Mintu-Wimsatt and Graham (2004)	B2B	Survey with industrial exporters	Structure	–	–
This study	B2B	Negotiation simulation, cross-industry survey	Strategy	✓	✓
			Contribution 1: Shows the relevance of a firm's risk-taking strategy for salespeople's defensive behavior in negotiations and economic outcomes.		**Contribution 2:** Explores the interplay of a firm's risk-taking strategy and managerial levers for salespeople's defensive behavior in negotiations.

Notes: ✓ Included in the study. (✓) Related aspect included in the study (study includes an approximation of negotiation behavior; e.g. assessment of realized discount). B2C = business to consumer.
[1]Relates to negotiation behavior that does not specifically represent defensive behavior in negotiations.

attainment of various rewards. *Expectancy* refers to an individual's belief that, by extending effort, a task can be performed successfully; thus, expectancy describes an individual's estimate of the linkage between effort and outcome (Berkmann et al. 2023; Evans, Margheim, and Schlatter 1982; Oliver 1974).

Conceptual framework

We apply expectancy theory (Vroom 1964) to explain salespeople's intensity of defensive behavior during price negotiations. We derive our conceptual framework by including key aspects related to a salesperson's valence (i.e. the salesperson's perceived desirability of an outcome), instrumentality (i.e. the salesperson's belief that an outcome results in rewards), and expectancy (i.e. the salesperson's belief that by extending effort, he or she can attain a specific outcome). We summarize our conceptual framework in Figure 1.

Salesperson's defensive behavior in price negotiations

The focal dependent variable of our framework and both studies is a salesperson's defensive behavior in price negotiations. Defensive behavior describes the intensity with which the salesperson attempts to convince the opposite party and strengthen his or her position during negotiations (Alexander, Schul, and Babakus 1991). To do so, the salesperson may try to support his or her own position with arguments or by rejecting and questioning the arguments of the negotiation partner. In defending their firm's position, salespeople attempt to enforce their initial negotiation proposal by convincing the counterpart (Donohue 1981). In applying expectancy theory, defensive behavior represents the focal task to be performed to achieve desired outcomes within the firm, driven by the motivation derived from a salesperson's valence, instrumentality, and expectancy.

A firm's risk-taking strategy

The focal independent variable of our framework and both studies is a firm's risk-taking strategy. Risk-taking strategies focus on exploring resources to seize market and customer opportunities (Baird and Thomas 1985; Hughes and Morgan 2007). By contrast, risk-avoiding strategies focus on the exploitation of existing resources with the aim of maintaining stable and predefined profit margins (Sousa, Li, and He 2020). Thus, risk-avoiding firms strive to achieve constant performance levels by avoiding any action that might negatively affect the organization. To do so, risk-avoiding firms emphasize stability, prioritizing the safeguarding of existing markets and customer bases over the pursuit of new, uncertain opportunities (Dasí, Iborra, and Safón 2015). As prior work shows, firms' strategic risk-taking orientation constitutes a relevant context variable for salespeople's negotiations with clients (Neale and Northcraft 1991; Zoltners, Sinha, and Lorimer 2008).

In applying expectancy theory, a firm's risk-taking strategy is an external stimulus that should drive a salesperson's valence, and thereby ultimately salesperson behavior. Specifically, firm strategy is an important signal of what the firm values, for example, in terms of desired behaviors and outcomes within the firm (Connelly et al. 2011; Langerak 2001). A strategy high in risk-taking, for example, signals that the firm accepts failure in return for potential high returns in the long run rather than immediate profitability. As the focal consequence of this signal, we conceptualize the salesperson's perception of the desirability for maximizing profit within the firm.

Perceived profit orientation

We conceptualize a salesperson's valence with the salesperson's perception of the firm's profit orientation. Following expectancy theory, valence reflects an employee's perceived desirability of an outcome within a given work setting. As such, valence refers to the extent to which specific outcomes and, in turn,

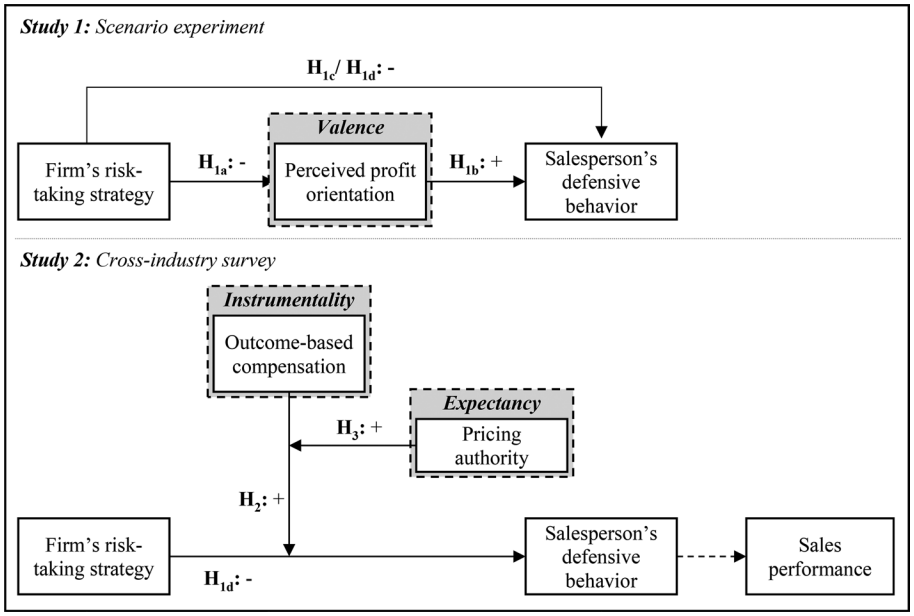

Figure 1. Theoretical background and conceptual framework with hypothesized effects.
Notes: Dashed arrow indicates path that is tested but not hypothesized. H_{1c}: Hypothesized negative (partially) mediated relationship between a firm's risk-taking strategy and salespeople's defensive behavior through salespeople's perceived profit orientation of the firm. H_{1d}: Hypothesized negative total impact of a firm's risk-taking strategy and salespeople's defensive behavior.

associated behaviors are prioritized (DeCarlo and Lam 2016). Within our context, a salesperson's valence is driven by the salesperson's perception of the organizational context (i.e. the firm's risk-taking strategy). Relatedly, previous studies on buyer-seller negotiations highlight the role of a negotiation party's profit focus as a critical factor in the negotiator's behavior (Clopton 1984; Dabholkar, Johnston, and Cathey 1994).

Further, we conceptualize the salesperson's perception of the firm's profit orientation as the focal link between a firm's risk-taking strategy and a salesperson's defensive behavior. Perceived profit orientation refers to how much the salesperson perceives the firm to emphasize the profit margin when managing the firm (Skiba, Saini, and Friend 2019). More specifically, the variable reflects the degree to which – from the salesperson's perspective – the firm prioritizes and emphasizes the stability and adherence to a specific profit margin in its business operations. As the firm's risk-taking strategy signals what a company values (in line with valence), this signal should manifest in the salesperson's perception of the importance of maximizing profit. Ultimately, this perception should drive a salesperson's defensive behavior in price negotiations – a behavior that may directly contribute to the firm's priority on profit.

Contextual factors as contingencies

According to expectancy theory, the impact of organizational factors on employee motivation is contingent on factors related to employees' expectancy and instrumentality (Evans, Margheim, and Schlatter 1982). Consequently, situational factors, such as the organizational environment and job characteristics (e.g. Cron, Dubinsky, and Michaels 1988; DeCarlo and Lam 2016), interact and play a critical role in the formation of a salesperson's motivations. Applied to our setting, we derive key contingencies of a salesperson's motivation to put effort into maximizing profit through defending a firm's position in price negotiations by drawing on expectancy and instrumentality.

Consistent with expectancy theory, our framework proposes a salesperson's compensation type (i.e. outcome- vs. non-outcome-based compensation) as a contingency factor relating to the salesperson's instrumentality. Specifically, outcome-based compensation should moderate the impact of a firm's risk-taking strategy on defensive behavior in price negotiations. Outcome-based compensation implies that salespeople are explicitly compensated based on achieved outcomes such as sales volume or profit margin (Anderson and Oliver 1987; Cravens et al. 1993). Previous studies highlight the role of outcome-based compensation for salespeople's motivation and subsequent behavior (e.g. Hohenberg and Homburg 2016; Oliver and Anderson 1994). As such, outcome-based compensation relates to a salesperson's instrumentality because it captures the salesperson's belief that being successful in maximizing profit through defensive behavior will improve the financial compensation he or she receives.

As another contingency factor, our framework proposes a salesperson's pricing authority, relating to a salesperson's expectancy. Specifically, pricing authority should interact with the moderating effects of compensation. Pricing authority describes the decentralization of pricing decisions whereby the salesperson has the autonomy to set prices without the approval of their sales manager (Frenzen et al. 2010; Homburg, Jensen, et al. 2012). Pricing authority constitutes a salesperson's expectancy because autonomy in general and pricing authority in particular increase a salesperson's self-efficacy and confidence (Liozu 2015; Wang and Netemeyer 2002). As such, a salesperson's pricing authority is critical for the salesperson's belief that through extending effort, he or she can successfully secure a firm's profit margins by defending the firm's position in price negotiations.

Sales performance

Finally, to assess the effectiveness of the salesperson's defensive negotiation behavior, our framework includes salesperson performance as a dependent variable. In line with previous research, we conceptualize salesperson performance as the economic outcome in relation to the target agreement. We therefore rely on the achieved sales volume, revenue, and profit margin as key indicators of salesperson performance (Homburg, Müller, and Klarmann 2011b; Oliver and Anderson 1994).

In what follows, we develop hypotheses and empirically test the impact of a firm's risk-taking strategy on the salesperson's defensive behavior during price negotiations. As shown in Figure 1, Study 1 examines the effect of a firm's risk-taking strategy on a salesperson's defensive behavior through perceived profit orientation. After establishing these relationships, Study 2 further corroborates the effect of a firm's risk-taking strategy on a salesperson's defensive behavior and tests the proposed contingencies. Ultimately, Study 2 also examines the effect of a salesperson's defensive behavior on his or her performance.

Hypotheses development

We begin by hypothesizing the effect of a firm's risk-taking strategy on the salesperson's perceived profit orientation (H1a), its subsequent effect on the salesperson's defensive behavior (H1b), and the corresponding mediating (H1c) and total effect (H1d). Subsequently, we hypothesize the moderating effects of outcome-based compensation (H2), as well as the moderating effect of pricing authority (H3).

A firm's risk-taking strategy, salespeople's perceived profit orientation, and defensive behavior in negotiations

Expectancy theory suggests that valence is a critical factor in determining an individual's motivation to engage in a specific behavior. In our context, the firm's strategic orientation drives valence because it affects salespeople's perception of the desired employee behavior and outcomes the firm values (e.g. Langerak 2001). Accordingly, prior research has established the relevance of a firm's strategic orientation for salespeople's behavior and performance (e.g. Guenzi, Luca, and Troilo 2011).

In applying expectancy theory, we propose that the firm's risk-taking strategy is a critical driver of the salesperson's perceived valence of maximizing profit and subsequently engaging in defensive behavior during negotiations. Specifically, the firm's risk-taking strategy signals outcomes that the firm values. We expect that this signal manifests in how salespeople

perceive the profit orientation of the firm – a perception that ultimately determines salespeople's intensity of defensive behavior in price negotiations. Taken together, we expect salespeople's perceived profit orientation of the firm to mediate the effect of the firm's risk-taking strategy on salespeople's defensive behavior.

We argue that a high level of risk-taking strategy in the firm will lower salespeople's valence because it affects their perception of the firm's profit orientation. Specifically, highly risk-taking firms focus on explorative and opportunity-seeking behavior, invest resources in projects with uncertain outcomes, and their management allows firm performance to vary and failure to occur (Hughes and Morgan 2007; Lumpkin and Dess 1996). Given that firms with a high level of risk-taking strategy focus on achieving a long-term competitive advantage (Baird and Thomas 1985), immediate financial performance becomes secondary.

Consequently, a firm's risk-taking strategy should decrease salespeople's belief that achieving high profits within price negotiations is of maximum importance to the firm (i.e. salespeople's valence). The anticipation that the management accepts varying performance affects salespeople's perception of how much the firm focuses on profits. More specifically, the firm's risk-taking strategy shifts the focus from immediate financial gains and thus conveys to its salespeople that immediate financial metrics are not the sole indicators of success. Against this background, we hypothesize the following:

H1a. A firm's risk-taking strategy has a negative impact on salespeople's perceived profit orientation of the firm.

Continuing the train of thought from H1a and applying expectancy theory, we propose that salespeople will adopt behaviors that are desired within the firm. Specifically, how salespeople perceive the firm's profit orientation should shape the desirability of engaging in behaviors that are beneficial for ensuring higher firm profits. Consequently, we expect the salespeople's perceived profit orientation of the firm to impact salespeople's inclination to engage in defensive behavior during price negotiations.

We argue that perceiving the firm as highly profit-oriented will increase salespeople's defensive behavior because salespeople understand that such behavior aligns with the firm's objectives. Defensive behavior by salespeople is critical for maintaining a firm's profit levels but also requires considerable effort from salespeople. Specifically, salespeople need to expend considerable effort during price negotiations, as customers may ask for discounts from the initial offer, which would lower the seller's profit margin (Lawrence et al. 2020). Consequently, the valence associated with the outcome of this behavior is crucial for motivating salespeople's efforts.

Salespeople perceive that in a profit-oriented firm, their defensive behavior in price negotiations will not only align with the firm's objectives but also potentially lead to valued rewards such as bonuses, recognition within the firm, enhanced career opportunities, increased visibility in the company, and positive performance reviews. If salespeople believe that securing the best possible financial outcomes is highly valued and rewarded within the firm, their valence and subsequent motivation to engage in and exert effort in defensive behavior increases.

Consequently, the more salespeople perceive the firm as focused on immediate profit maximization, the higher the salespeople's belief that securing the best possible financial outcomes is desired within the firm and leads to rewards. This, in turn, increases salespeople's inclination to put effort into defending the firm's initial position and specifically the price, which constitutes a key component of negotiations with clients. That is, salespeople's valence from exerting effort in defensive behavior increases if salespeople perceive the firm to be heavily profit-oriented. Ultimately, salespeople increase their efforts on defensive behavior during price negotiations. Against this background, we hypothesize:

H1b. Salespeople's perceived profit orientation of the firm has a positive impact on salespeople's defensive behavior in price negotiations.

Building on the hypothesized negative effect of the firm's risk-taking strategy on salespeople's perceived profit orientation of the firm (H1a) and the subsequent positive effect of perceived profit orientation on defensive behavior in price negotiations (H1b), a firm's risk-taking strategy should have a negative effect on salespeople's defensive behavior. Therefore, we expect salespeople's perceived profit orientation to (at least) partially mediate the impact of the firm's risk-taking strategy on salespeople's defensive behavior. Taken together, we further hypothesize that a firm's risk-taking strategy has a negative total impact on salespeople's defensive behavior.

H1c. A salesperson's perceived profit orientation of the firm at least partially mediates the impact of a firm's risk-taking strategy on salespeople's defensive behavior.

H1d. A firm's risk-taking strategy has a negative total impact on salespeople's defensive behavior.

Salespeople's compensation type as a contingency factor

Expectancy theory suggests that the motivation to engage in a behavior depends on valence, instrumentality, and expectancy (Evans, Margheim, and Schlatter 1982). In our context, instrumentality moderates the impact of organizational factors on an individual's motivation. As such, outcome-based compensation relates to instrumentality, as it affects the probability that achieving high profit margins through defensive behavior will improve a salesperson's compensation (DeCarlo and Lam 2016). Unlike non-outcome-based compensation, outcome-based compensation also signals to a salesperson that achieving specific negotiation outcomes is rewarded within the firm (Miao and Evans 2012). In applying expectancy theory, we propose that the compensation type relates to the salesperson's instrumentality and thus moderates the impact of the firm's risk-taking strategy on the salesperson's defensive behavior (H1d).

We argue that the impact of a firm's risk-taking strategy on defensive behavior in price negotiations is weaker when a salesperson's instrumentality is increased through outcome-based compensation. While risk-taking strategies may signal a lower degree of the firm's profit orientation to salespeople and thus reduce the intensity of defensive behavior in price negotiations,

outcome-based compensation, in contrast, signals that the result of price negotiations is highly relevant. For instance, with outcome-based compensation, firms reward their salespeople based on achieving specific revenue targets or profit margins. As a result, salespeople are personally accountable for defending their negotiation position (Miao and Evans 2013; Oliver and Anderson 1994). In other words, when salespeople receive outcome-based compensation for the result of price negotiations, the relevance of the firm's risk-taking strategy as a signal of valence should be offset. Consequently, with outcome-based compensation, the *negative* impact of a firm's risk-taking strategy on defensive behavior is expected to be weaker. Thus:

> **H2**. The negative impact of a firm's risk-taking strategy on salespeople's defensive behavior during price negotiations is weaker if salespeople receive outcome-based compensation.

Salespeople's pricing authority as a contingency factor

According to expectancy theory, expectancy can moderate the impact of instrumentality on an employee's motivation to attain a specific outcome (Vroom 1964). In our context, salespeople's pricing authority relates to expectancy because it impacts salespeople's belief that through increased effort, they can successfully secure the firm's profit margins by defending their initial position during price negotiations. Specifically, delegating more pricing authority to the salesforce transfers more autonomy to salespeople to set and adjust prices in negotiations (Frenzen et al. 2010). By that, high pricing authority provides salespeople with a higher sense of autonomy and control over the process of price negotiations, which in turn is critical for their motivation and effort (e.g. Rapp et al. 2006; Tyagi 1985; Wang and Netemeyer 2002). Relatedly, higher autonomy signals to salespeople their management's confidence in their ability to fulfill tasks successfully, thereby amplifying their self-efficacy and confidence (Liozu 2015; Wang and Netemeyer 2002).

In applying expectancy theory, we propose that salespeople's expectancy of successfully securing a firm's profit margins by engaging in defensive behavior should affect the moderating impact of instrumentality. More specifically, we expect the moderating impact of outcome-based compensation (H2) to be even stronger if salespeople have a high degree of pricing authority.

We argue that the moderating effect of salespeople's instrumentality resulting from their outcome-based compensation is stronger when salespeople's expectancy is high. Given the tendency of salespeople with outcome-based compensation to engage in defensive behavior, salespeople with higher pricing authority (i.e. expectancy) should exhibit higher tendencies to engage in defensive negotiation behavior. Specifically, the increased expectancy resulting from their pricing authority should encourage salespeople to put effort into defensive behavior to achieve the associated rewards. Thus, we argue that salespeople's effort to meet the goals associated with their compensation will be higher if they have a high degree of pricing authority. This encouragement, in turn, will further weaken the impact of the firm's risk-taking strategy on salespeople's perception of the firm's profit orientation and salespeople's negotiation goal. As such, despite the firm's risk-taking strategy, salespeople will not reduce their efforts on defensive behavior, as they will aim to achieve a better outcome in the negotiation. Thus:

> **H3**. The positive moderating effect of salespeople's outcome-based compensation on the negative relationship between a firm's risk-taking strategy and salespeople's defensive behavior during price negotiations is stronger if salespeople have a high level of pricing authority.

Study 1: Scenario experiment

We conducted a scenario experiment to provide initial evidence for our framework's main effects (H1a–H1d)—that is, the impact of a firm's risk-taking strategy on the salesperson's defensive behavior in price negotiations. We chose an experimental design to establish the main effects while avoiding common method bias (Podsakoff et al. 2003). Specifically, we relied on a between-subjects design, in which we exposed each participant to one experimental condition.

We chose a between-subjects design for two reasons. First, it reduces the danger of participants potentially predicting the study's purpose or engaging in hypothesis guessing. Hypothesis guessing is a threat as we also include a mediator that might reveal the experiment's purpose to participants and act as an anchor for future iterations of the experiment (Montoya 2023). Second, from a theoretical perspective, the between-subjects design aligns with real-world conditions, as salespeople typically experience one treatment at a time, such as working in a firm with either high or low strategic risk-taking (Bornemann and Hattula 2022; Charness, Gneezy, and Kuhn 2012). As participants only take part in one experimental condition, the between-subjects design provides no reference point that might affect subsequent experimental conditions, consequently supporting the external validity of the results (Charness, Gneezy, and Kuhn 2012).

Experimental setting and methodology

Sampling and sample

For the generalizability of our findings, we employed a sampling frame consisting of salespeople from various industries and organizations of different sizes. Importantly, all participating salespeople needed to work in the B2B sector and regularly conduct price negotiations around goods or services with clients.

Our sampling procedure consisted of several steps to comply with these criteria. To identify potential participants that fit our sampling criteria, we relied on LinkedIn, a major social business network (e.g. Wielgos, Homburg, and Kuehnl 2021). Specifically, we used the LinkedIn Sales Navigator to create a list of potential participants based on suitable users on the network. First, we filtered the userbase by their stated job titles, such as *salesperson*, *sales representative*, *key account manager*, *account manager*, and *sales manager*. Second, to avoid any cultural effects that might confound the results, we considered only salespeople who work in one country (i.e. Germany). Third, we used a financial database to filter

the initial list of potential participants to consider only salespeople from firms mainly operating in B2B markets.

Using the resulting list, we reached 1,870 potential participants with a personalized invitation to our online scenario experiment. At the beginning of the study, we cross-checked the suitability of the participants using filter questions related to our sampling criteria (e.g. '*I regularly conduct price negotiations with clients*'). We also incorporated survey-fit questions to assess participants' level of engagement, their competence in responding, and the overall relevance of the study to their work (e.g. '*The questions in this survey were relevant to my area of responsibility*'). Because all participants showed good suitability and survey fit (i.e. scoring above the scale's midpoint), none were excluded from the sample based on these questions. Additionally, in line with existing research (DeCarlo and Lam 2016), we placed an attention check question following our scenario experiment (i.e. '*For quality purposes, please click 'Do not agree at all' for this question*'). We discarded four answers from our sample for failed attention checks (Oppenheimer, Meyvis, and Davidenko 2009).

Our final sample of the scenario experiment consisted of 134 complete answers corresponding to a response rate of 7.2%, which corresponds with studies with a similar design (e.g. Liozu 2015). The average age of the participating salespeople was 42 years, and 93% were male. Furthermore, the sample covered a broad range of industries, including construction, utilities, and wholesale trade. Table 2 provides an overview of the sample composition of Study 1.

Table 2. Sample composition of Study 1 and Study 2.

	Study 1	Study 2
Industry of salesperson		
Construction	7%	8%
Manufacturing industry	36%	50%
Transportation, communications, energy, gas, and sanitary services	10%	12%
Wholesale	10%	11%
Retail	2%	1%
Energy and environment	6%	8%
Services	9%	9%
Other industries	20%	2%
Number of employees in firm		
≤50	–	3%
51–500	25%	5%
501–1000	16%	10%
1001–5000	22%	17%
>5000	37%	67%
Annual revenue of firm		
<$5 M	2%	1%
$5–$49 M	13%	4%
$50–$499 M	38%	15%
$500–$999 M	7%	19%
>$999 M	40%	60%
Experience as salesperson		
<2 years	–	3%
2–4 years	8%	13%
5–9 years	24%	21%
10–19 years	35%	27%
20–29 years	23%	20%
>29 years	10%	15%
Type of compensation		
No outcome-based compensation	N.A.	20%
Volume-/Revenue-based compensation		37%
Margin-based compensation		11%
Profit-based compensation (volume-/revenue- & margin-based)		32%

Experimental procedure

We manipulated the intensity of the firm's risk-taking strategy (low vs. high) and provided participants with a negotiation scenario. The manipulation of the firm's risk-taking strategy relied on the established conceptualization by Venkatraman (1989). For instance, in the low risk-taking scenario, the firm was portrayed as conservative, preferring projects with predictable returns and proven methods. In contrast, in the high risk-taking scenario, the firm was portrayed as willing to break with established practices to pursue market opportunities. Web Appendix B provides a detailed description of the two scenarios (i.e. low vs. high risk-taking strategy). Before conducting the experiment, we carefully pretested the scenarios and manipulations with 20 professionals from B2B sales. The pretest results confirmed that the manipulations worked as intended and that the participants understood the task.

We randomly assigned participants to one of the two experimental conditions, that is, of working in a firm with a low or high risk-taking strategy orientation. Accordingly, 65 participants (49%) were in the low risk-taking strategy scenario, and 69 participants (51%) were in the high risk-taking strategy scenario.

Following the manipulation of the firm's risk-taking strategy in the scenario description, we showed participants a description of a standardized negotiation scenario with a client. We informed the participants that they were meeting a client to negotiate the price and specific quantity of an order of average size and asked them to consider the previously provided information on the firm's strategic orientation. We then instructed participants to indicate their projected negotiation behavior in the described negotiation situation, considering the information provided on the firm. Further, we assessed the salesperson's perceived profit orientation of the firm as a mediating variable between the firm's risk-taking strategy and the salesperson's defensive behavior in price negotiations. Finally, participants provided information about their current job (e.g. competitive intensity within their sales territory) and personal characteristics (e.g. age and time at the current company), which serve as control variables.

Measurement and measurement assessment

We captured the salesperson's *perceived profit orientation* of the firm with a four-item construct adapted from Skiba, Saini, and Friend (2019) and the *salesperson's defensive behavior* with a three-item construct. Following the conceptualization of defensive behavior in negotiations by Donohue (1981) and Alexander, Schul, and Babakus (1991), we carefully created reflective items assessing salespeople's defensive behavior during price negotiations (for details, see Web Appendix B, Table B1). A reflective measurement model is appropriate for Study 1 because we capture salespeople's hypothetical defensive behavior as a response to the negotiation scenario (Jarvis, MacKenzie, and Podsakoff 2003; Wilcox, Howell, and Breivik 2008). Using confirmatory factor analysis (CFA), we assessed the reliability and validity of the multi-item scale on perceived profit orientation and defensive behavior (for details, see Table B2). The constructs exceed the recommended thresholds for composite reliability (CR), average variance extracted (AVE), and Cronbach's

alpha (CA), showing satisfactory convergent validity (Bagozzi and Yi 2012).

We further integrate characteristics of the salesperson's actual professional and personal context, which might influence their behavior in the given negotiation scenario. Specifically, these variables also represent control variables in our analysis to rule out alternative explanations. Previous research reveals that competitive intensity, product type, and product importance are relevant contingencies of salesperson behavior (Alavi et al. 2020; Homburg, Müller, and Klarmann 2011a; Martin and Javalgi 2016). Consequently, *competitive intensity* (Jaworski and Kohli 1993), the *share of service sales*, and *product importance* (Homburg, Müller, and Klarmann 2011a) were control variables in our model.

Furthermore, previous research indicates that salespeople adapt their behavior to customer characteristics (Liu and Balakrishnan 2022; Wieseke, Alavi, and Habel 2014). Therefore, we controlled for several customer characteristics as perceived by the participating salespeople, including the *customer's price sensitivity*, the *customer's buying power*, and the *customer's strategic importance to the company*. We deem the measurement from the salespeople's perspective suitable for our study's purpose, as their perception ultimately drives their behavior (Chakrabarty, Brown, and Widing 2010). Finally, we included salesperson-specific variables (i.e. *age* and *time at current company)* in our model to account for the observed heterogeneity in our sample (e.g. Homburg et al. 2023).

Non-response bias

We took several steps to avoid non-response bias following recent literature guidance (Vomberg and Klarmann 2022). A priori, we kept the survey short, salespeople had sufficient time to participate in the experiment, and we sent out reminder notes. To increase the perceived utility for participants, we provided a monetary incentive for participation (i.e. a 15€ voucher for a popular online retailer). A posteriori, we compared early and late respondents using Armstrong and Overton (1977) test, which yielded no significant differences. In addition, we compared the demographics and firmographics (i.e. sex and industry distribution) of the participating salespeople with those of invited salespeople who did not participate (Hulland, Baumgartner, and Smith 2018). Chi-square tests revealed no significant differences between our final sample and non-respondents at the 10% significance level (see Table A2, Web Appendix A). These results suggest that non-response bias is unlikely.

Results

We used Model 4 of the PROCESS macro (Hayes 2022; Preacher and Hayes 2008) to test for the direct and total effect of a firm's risk-taking strategy on a salesperson's defensive behavior and the indirect effect through our mediator salesperson's perceived profit orientation of the firm. Table 3 lists all parameter estimates of Study 1.

In line with H1a, a firm's risk-taking strategy has a significant and negative effect on a salesperson's perceived profit orientation of the firm ($\beta = -.81$, $p < .01$). In support of H1b, the results show that a salesperson's perceived profit orientation of the firm increases a salesperson's defensive behavior in price negotiations ($\beta = .12$, $p < .05$). Furthermore, a firm's risk-taking strategy decreases a salesperson's defensive behavior ($\beta = -.31$, $p < .05$). Use of bootstrapping (10,000 resamples) yields a negative indirect (H1c: $\gamma = -.10$, 95% confidence interval [CI] [−.19, −.01]) and total (H1d: $\beta = -.41$, 95% CI [−.64, −.17]) effect of a firm's risk-taking strategy. Thus, the perceived profit orientation partially mediates the influence of a firm's risk-taking strategy on a salesperson's defensive behavior during price negotiations in support of H1c. Furthermore, a firm's risk-taking strategy has a negative total impact on salespeople's defensive behavior in support of H1d.

Table 3. Results of the process model (PROCESS, model 4) of Study 1.

	Perceived profit orientation	Salesperson's defensive behavior
Variables	Coefficient	Coefficient
Firm's risk-taking strategy	**−.81*** (H_{1a})**	−.31**
Perceived profit orientation		**.12** (H_{1b})**
Control variables		
Share of service sales	−.01*	.00
Product importance	.26***	−.03
Competitive intensity	.09	.09*
Customer's price sensitivity	.07	.01
Customer's buying power	.11	−.03
Customer's strategic importance to the company	−.10	−.02
Time at current company	−.00	−.01
Age	−.00	.00

***$p < .01$; **$p < .05$; *$p < .1$. Notes: The table reports unstandardized coefficients. One-tailed test of significance. Coefficients in boldface indicate hypothesized effects.

Study 2: Cross-industry survey

Research setting and methodology

Study 1 provides initial evidence of the hypothesized negative impact of a firm's risk-taking strategy on salespeople's defensive behavior in price negotiations, with perceived profit orientation as the mediator (H1a–H1d). Following this initial evidence, Study 2 is a cross-industry survey that aims to test H1d–our claim that a firm's risk-taking strategy has a negative total impact on salespeople's defensive behavior. Furthermore, Study 2 tests the hypothesized moderating effects included in our conceptual framework. Study 2 also complements Study 1's experimental results with a different methodological approach (MacKenzie and Podsakoff 2012). Furthermore, Study 2 aims to increase the generalizability of the results by relying on a broad and heterogeneous sample.

Sampling and sample

For the sampling in Study 2, we followed the identical approach described in Study 1. We again identified salespeople working in Germany through LinkedIn and reached 2,712 potential respondents with a personalized invitation. As in Study 1, we further evaluated respondents' suitability and attention to the questionnaire within the survey. Specifically, filter questions cross-checked that the respondents were indeed salespeople from the B2B sector and regularly conducted price negotiations with clients. In addition, we included three

survey-fit questions to assess respondents' engagement, competence in answering the survey, and the overall relevance of the questionnaire. All respondents fulfilled the survey-fit criteria (i.e. score above the midpoint of the scale) and remained in the sample. Thus, we ensured that respondents could answer the survey accurately (Krosnick 1991; MacKenzie and Podsakoff 2012). Finally, we again included an attention check (DeCarlo and Lam 2016). As a result of failed attention checks, we discarded 24 respondents from our sample (Oppenheimer, Meyvis, and Davidenko 2009).

Our final sample comprised 377 salespeople, corresponding to a response rate of 13.9%. As such, the survey's response rate was similar to other studies that recruited salespeople in a comparable way (e.g. Homburg and Wielgos 2022; Johnson and Sohi 2014). In line with Study 1, the sample covered a broad range of industries, including construction, utilities, and wholesale trade. The average age of the respondents was 43 years, and 84% were male. Table 2 provides an overview of the sample composition of Study 2.

Survey procedure

We captured all focal elements of our conceptual framework, plus various controls, in the survey. Respondents indicated the intensity with which they rely on specific defensive negotiation tactics. We thus assessed how much they relied on defensive tactics across all price negotiations conducted with clients. Furthermore, respondents provided information about their firms' risk-taking strategy, compensation structure, and pricing authority. They also indicated their individual sales performance within the last 24 months. Finally, respondents reported on various control variables relating to personal (e.g. age, time at current company) and company (e.g. company size) information.

Measurement of focal variables

We relied on established scales to measure the focal constructs while adapting the scales to our study's context (for details, see Table C1, Web Appendix C). For our focal independent variable, the *firm's risk-taking strategy*, we relied on the riskiness dimension of the strategic orientation framework proposed by Venkatraman (1989). To capture our focal dependent variable, the *salesperson's defensive behavior* in price negotiations, we used a scale based on the defensive negotiation tactics identified by Donohue (1981), which was adapted to the price negotiation context by Wilken et al. (2010). These negotiation tactics include supporting one's negotiation position and denying and questioning the counterpart's position. Salespeople indicated the intensity with which they rely on specific defensive tactics in price negotiations with clients. In doing so, our scale captures salespeople's effort in defending not only the price but also the general defense of their own negotiation position.

In Study 2, we relied on a formative measurement for salespeople's defensive behavior in negotiations for two main reasons. First, formative scales are better at capturing past behavior – as desired in Study 2 – as opposed to hypothetical behavior (Jarvis, MacKenzie, and Podsakoff 2003; Wilcox, Howell, and Breivik 2008). Second, a formative measurement is suitable if the focal construct represents an index of various items that are not necessarily correlated (Jarvis, MacKenzie, and Podsakoff 2003). For example, salespeople can focus on one specific defensive negotiation tactic (e.g. providing information supporting their position) while disregarding another (e.g. disagreeing with the counterpart's offer). As a result, the indicators used to measure defensive behavior during price negotiations encompass various aspects of the construct and do not necessarily need to be correlated (Diamantopoulos and Winklhofer 2001; Jarvis, MacKenzie, and Podsakoff 2003).

For the validity of our formative measurement of defensive behavior in price negotiations, we strived to meet the four criteria of content specification, indicator specification, indicator collinearity, and external validity (Diamantopoulos and Winklhofer 2001). We reviewed the literature to define the formative construct of defensive behavior during price negotiations. We relied on the definition and operationalization of Donohue (1981) and Wilken et al. (2010), who measured defensive behavior in negotiations with a coding scheme. Subsequently, we carefully formulated the indicators for our survey. We assessed the items' variance inflation factors (VIFs) to rule out indicator collinearity. All VIFs are below the threshold value of 5, indicating that multicollinearity is not an issue (Hair et al. 2019). Finally, we used a global item capturing the bottom line of the construct (i.e. defensive behavior during price negotiations) to assess the external validity of the formative indicators. As such, we examined how well the formative indicators relate to the global item (Diamantopoulos and Winklhofer 2001). Except for one indicator, all indicators were significantly correlated with the global item ($p < .05$). Thus, the remaining six indicators build our formative construct of defensive behavior. In line with previous research, we averaged the formative items to obtain an overall index score (e.g. Büttgen, Schumann, and Ates 2012; Camarero and Garrido 2012; Yang and Smith 2009).

To capture the moderator *outcome-based compensation*, we first assessed whether the salesperson's compensation depends on one or several outcome measures (i.e. sales volume, sales revenue, or profit margin) in our survey. On that basis, we created the multicategorical variable *outcome-based compensation*, which differentiates between four types of compensation. Specifically, we differentiate between the following categories: no outcome-based compensation, volume-/revenue-based compensation, margin-based compensation, or profit-based compensation (a combination of volume-/revenue-based and margin-based compensation). For our analysis, we used 'no outcome-based compensation' as the reference category. This approach allows us to compare the effect of different types of outcome-based compensation against the baseline of 'no outcome-based compensation'. Thus, the moderator outcome-based compensation not only captures whether the salesperson receives outcome-based compensation but also specifies the type of outcome-based compensation. Table 2 and Figure C1 (see Web Appendix C) provide an overview of the sample distribution across the outcome-based compensation types. The survey also comprised the salesperson's *pricing authority* with a three-item construct, following Homburg, Jensen, et al. (2012). Finally, salespeople indicated their sales performance in terms of their personal goal achievement (Schmitz and Ganesan 2014).

Measurement of control variables

In line with theoretical considerations and to rule out alternative explanations, we control for variables related to the firm and its products, the customers, and the salesperson. First, previous research reveals that aspects such as a firm's long-term orientation, competitive intensity, product type, and product importance influence salespeople's behavior (e.g. Ganesan 1993; Homburg, Müller, and Klarmann 2011a). Consequently, we include the *firm's long-term orientation* (Venkatraman 1989), *competitive intensity* (Jaworski and Kohli 1993), the *share of service-related sales* (Alavi et al. 2020), *product importance* (Homburg, Müller, and Klarmann 2011a), and *firm size* (i.e. company turnover) as control variables. Second, research indicates that salespeople adapt their behavior to customer characteristics (Liu and Balakrishnan 2022; Wieseke, Alavi, and Habel 2014). Therefore, we considered several customer characteristics, including *customer's price sensitivity*, *customer's buying power*, and *customer's strategic importance to the company*, as controls. As in Study 1, we measured the customer characteristics from the salesperson's perspective (Chakrabarty, Brown, and Widing 2010). Finally, we included salesperson-specific variables (i.e. *age*, *gender, degree, time at current company, share of fixed compensation*) in our model to account for observed heterogeneity in our sample.

Measurement assessment

We used CFAs to assess the reliability and validity of all multi-item reflective measures. The CFA model containing all reflective measured constructs exceeds the recommended threshold values: comparative fit index (CFI) = .99, Tucker–Lewis index (TLI) = .99, root mean square error of approximation (RMSEA) = .02, and standardized root mean square residual (SRMR) = .06. All reflective constructs exceed the recommended thresholds for CR, AVE, and CA, showing satisfactory convergent validity (Bagozzi and Yi 2012). Moreover, we found support for discriminant validity using the Fornell and Larcker (1981) criterion. Web Appendix C specifies all constructs, items, descriptives, and CFA results for Study 2.

Addressing potential biases

As in all research settings that are not randomized controlled experiments, in Study 2, we need to consider potential sources of endogeneity. To control for *common method variance*, we pretested our survey with ten academic experts. Furthermore, we separated our measures for the dependent and independent variables by sequence in the survey (Hulland, Baumgartner, and Smith 2018). Additionally, we tested for common method bias using the marker variable technique (Lindell and Whitney 2001). We used the degree to which salespeople's goal agreement is measurable as the marker variable, which had a correlation of .06 with the focal dependent variable defensive behavior. Based on this marker variable, we built an adjusted correlation matrix and tested the new correlations for significance. Common method variance is unlikely to affect the results, as all prior significant correlations remained significant at the 5% level.

To avoid *non-response bias*, we took the identical steps as in Study 1, following Vomberg and Klarmann (2022). As a priori steps, we kept the questionnaire short, salespeople had sufficient time to complete the survey, and we sent out reminder notes. As an incentive to respond, we again offered a monetary reward participation (i.e. a 20€ voucher for a popular online retailer). As a posteriori step, we compared early and late respondents using Armstrong and Overton (1977) test, which yielded no significant differences for all multi-item constructs. Moreover, we again compared the sex and industry distributions of the respondents with those salespeople who were contacted but did not respond (Hulland, Baumgartner, and Smith 2018). The chi-square tests of distribution revealed no significant differences between our final sample and non-respondents at the 10% significance level (see Table A2, Web Appendix A). In summary, we concluded that non-response bias is unlikely to threaten Study 2's results.

To safeguard against *multicollinearity*, we considered the VIF for each independent variable in our model. The validity of the results is not compromised by multicollinearity, as the VIFs were well below the critical value of 5 (Hair et al. 2019).

Finally, against further potential biases, such as from *omitted variables* related to the respondents or their firms (e.g. a salesperson's promotion focus or an organization's culture), we applied the Gaussian copula method (Papies, Ebbes, and van Heerde 2017; Park and Gupta 2012). Gaussian copulas are a frequently used endogeneity adjustment that accounts for various sources of endogeneity, including omitted variables (Becker, Proksch, and Ringle 2022). To compute the copulas, we followed recent recommendations on using copulas to handle endogeneity (Becker, Proksch, and Ringle 2022). After testing for non-normality of the endogenous regressors using the Kolmogorov–Smirnov and Shapiro–Wilk tests, we computed two copulas for our independent variable (i.e. firm's risk-taking strategy) and the continuous moderator (i.e. pricing authority). We then added them to the OLS regression equations (see the 'Results' section).

Results

Main effects model

We employed structural equation modeling (SEM) to test our hypothesized negative relationship between a firm's risk-taking strategy and the salesperson's defensive behavior during price negotiations (H1d) and the subsequent impact on the salesperson's individual sales performance. For the SEM containing the main effects, model fit indices exceed recommended thresholds: $\chi^2/df = 1.38$, CFI = .98, TLI = .98, RMSEA = .03, and SRMR = .076.

Table 4 lists all parameter estimates based on the SEM used for the main effects. Consistent with our hypothesis, the SEM reveals that a firm's risk-taking strategy negatively affects a salesperson's defensive behavior (H1d: $\gamma = -.16$, $p < .01$). Furthermore, a salesperson's defensive behavior has a positive effect on the individual sales performance ($\beta = .17$, $p < .05$). To test for the indirect effect of a firm's risk-taking strategy

Table 4. Results of the SEM with main effects of Study 2.

Variable	Salesperson's defensive behavior	Sales performance
Main effect		
Firm's risk-taking strategy	**−.16*** *(H_{1d})**	−.06
Mediator		
Salesperson's defensive behavior		.17**
Moderators		
Outcome-based compensation		
Volume-/Revenue-based	.10	.37*
Margin-based	−.17**	.20*
Profit-based	.15*	.42***
Pricing authority	−.03	.03
Control variables		
Share of fixed compensation	.00*	.01
Share of service-related sales	.00**	.00
Competitive intensity	.15**	−.07*
Firm's long-term orientation	.18**	.03
Product importance	−.01	.14***
Customer's price sensitivity	−.07**	−.04
Customer's buying power	−.10***	.10***
Customer's strategic importance to the company	.12***	.05
Salesperson's gender	.20***	−.12
Salesperson's age	−.01**	−.00
Time at current company	.00	−.00
Salesperson's degree (dummies)	Included	Included
Firm size (dummies)	Included	Included
Clustered standard errors by industries	Yes	Yes

***$p < .01$; **$p < .05$; *$p < .1$. Notes: The table reports unstandardized coefficients. One-tailed tests of significance. Coefficients in boldface indicate hypothesized effects.

on a salesperson's performance, we employed a bootstrapped SEM with 10,000 resamples (Preacher and Hayes 2008; Zhao, Lynch, and Chen 2010) and report 95% CIs (Preacher and Hayes 2008). We found that the firm's risk-taking strategy has a significant, negative indirect effect ($\gamma = -.03$, $p < .05$, 95% CI: [−.05, −.01]) on a salesperson's individual sales performance.

Moderating effects hypotheses

H2 and H3 predict that contextual variables influence the impact of a firm's risk-taking strategy on a salesperson's defensive behavior. In line with previous research, we rely on ordinary least squares (OLS) regression to analyze the moderating effects (Homburg, Müller, and Klarmann 2011b; Morhart, Herzog, and Tomczak 2009; Schmitz and Ganesan 2014). OLS regression is suitable for more complex models with two- and three-way interactions. Applying the OLS regression, we followed the recommendation of Aiken and West (1996) and mean-centered all predictor variables before creating the interaction term.

Table 5 presents the results of the OLS regressions used to investigate the moderating effects. More specifically, the depicted main effects model (Model 1) entails all predictor variables, moderators, and control variables but no interaction terms and is in line with the SEM results. Subsequently, we added the two-way interactions (Model 3) and the three-way interactions (Model 5).

Consistent with H2, outcome-based compensation (i.e. volume-/revenue-based, margin-based, and profit-based compensation) mitigates the negative impact of the firm's risk-taking strategy on salespeople's defensive behavior ($\beta = .33$, $p < .01$; $\beta = .20$, $p < .05$; $\beta = .48$, $p < .01$). To further examine if the specific types of compensated outcomes matter, we ran a number of additional analyses. Specifically, we tested for differences in the moderating effects of volume-/revenue-based, margin-based, and profit-based. Results of these additional analyses show that the moderating effect of profit-based compensation is significantly different from the moderation effect of volume-/revenue-based and margin-based compensation ($p < .10$, respectively $p < .05$). The moderating effects of volume-/revenue-based and margin-based compensation do not differ significantly from each other ($p > .10$). In other words, profit-based compensation appears as most effective at increasing salespeople's instrumentality and, by doing so, mitigating the negative impact of a firm's risk-taking strategy on salespeople's defensive behavior.

In H3, we predicted a positive three-way interaction among the firm's risk-taking strategy, salespeople's outcome-based compensation, and salespeople's pricing authority on salespeople's defensive behavior during price negotiations. The results provide support for this prediction (volume-/revenue-based compensation: $\beta = .19$, $p < .05$; margin-based compensation: $\beta = .40$, $p < .01$; profit-based compensation: $\beta = .20$, $p < .01$).

Conditional effects and conditional indirect effects

We used the PROCESS macro to estimate the conditional effect of a firm's risk-taking strategy on a salesperson's defensive behavior in price negotiations and the conditional indirect effects of a firm's risk-taking strategy on a salesperson's sales performance (Hayes 2018). PROCESS model 11 proposes a moderated moderated mediation. In this model, we can estimate the conditional effect of a firm's risk-taking strategy on a salesperson's defensive behavior during price negotiations under various compensation types and at different levels of pricing authority. Furthermore, we can estimate the conditional indirect effect of a firm's risk-taking strategy on a salesperson's sales performance through the mediating variable salesperson's defensive behavior under various compensation types and different levels of pricing authority. We calculated the moderated moderated mediation model using 10,000 bootstrapping samples. Following the procedure Hayes (2022) recommends, we tested the conditional (indirect) effect of a firm's risk-taking strategy at the mean and one standard deviation below and above the mean value of the moderator salesperson's pricing authority. In what follows, we report the conditional effect of a firm's risk-taking strategy on the salesperson's defensive behavior. Subsequently, we report the conditional indirect effect of a firm's risk-taking strategy on the salesperson's performance.

H3 posits a three-way interaction of the salesperson's pricing authority, outcome-based compensation, and the firm's risk-taking strategy on the salesperson's defensive behavior. A firm's risk-taking strategy has a significant and negative conditional effect on a salesperson's defensive behavior when the salesperson does not receive any outcome-based compensation

Table 5. Results of the moderated regression analysis for Study 2.

Variables	Model 1 (main effects only)	Model 2 (main effects + gaussian copulas)	Model 3 (two-way interactions)	Model 4 (two-way interactions + gaussian copulas)	Model 5 (three-way interactions)	Model 6 (three-way interactions + gaussian copulas)
Main effect						
Firm's risk-taking strategy (RT)	**−.12*** **	**−.28** **	−.45***	−.61***	−.40***	−.53***
Moderators						
Outcome-based compensation						
Volume-/Revenue-based	.10	.10	.15*	.15*	.09	.09
Margin-based	−.15**	−.16**	−.11*	−.12*	−.36**	−.37**
Profit-based	.15*	.14	.20*	.19*	.14*	.14*
Pricing authority (PA)	−.03	.06	−.03	.07	−.24**	−.14*
Two-way interactions						
RT × Outcome-based compensation						
Volume-/Revenue-based			**.33*** **	**.33*** **	.29***	.29***
Margin-based			**.20** **	**.21** **	.00	.01
Profit-based			**.48*** **	**.48*** **	.42***	.43***
RT × PA					−.18**	−.17**
Outcome-based compensation × PA						
Volume-/Revenue-based					.26***	.26***
Margin-based					.27***	.26***
Profit-based					.26**	.24**
Three-way interactions						
RT × Outcome-based compensation × PA						
Volume-/Revenue-based					**.19** **	**.18** **
Margin-based					**.40*** **	**.41*** **
Profit-based					**.20*** **	**.20** **
Control variables						
Share of fixed compensation	.00*	.00**	−.00	.00	−.00	−.00
Share of service-related sales	.00*	.00*	.00**	.00**	.00*	.00*
Competitive intensity	.13***	.14***	.12***	.12***	.12***	.13***
Firm's long-term orientation	.18**	.17**	.18**	.17**	.18**	.17**
Product importance	−.02	−.01	−.02	−.01	.01	.01
Customer's price sensitivity	−.08**	−.08**	−.07**	−.07**	−.08**	−.08**
Customer's buying power	−.09**	−.10**	−.10**	−.10**	−.09**	−.10**
Customer's strategic importance to the company	.12**	.12**	.12**	.12**	.11**	.12**
Salesperson's gender	.21***	.21***	.21***	.21***	.22***	.22***
Salesperson's age	−.00*	−.00*	−.00*	−.00*	−.00	−.00
Time at current company	−.00	.00	−.00	−.00	−.00	−.00
Salesperson's degree (dummies)	Included	Included	Included	Included	Included	Included
Firm size (dummies)	Included	Included	Included	Included	Included	Included
Clustered standard errors by industries	Yes	Yes	Yes	Yes	Yes	Yes
Gaussian copula (RT)		.17		.17		.12
Gaussian copula (PA)		−.14		−.15		−.14
R^2	.16	.17	.19	.20	.24	.21

***$p < .01$; **$p < .05$; *$p < .1$. Notes: The table reports unstandardized coefficients. One-tailed tests of significance. Coefficients in boldface indicate hypothesized effects. Models 2, 4, and 6 contain Gaussian copula terms for our focal independent variable and the moderator PA to account for potential endogeneity. The overall pattern between the models without and with endogeneity corrections (Model 1 vs. Model 2, Model 3 vs. Model 4, Model 5 vs. Model 6) remains unaffected after correcting for potential endogeneity threats.

and has either a medium (β = −.39, $p < .01$) or high (β = −.67, $p < .01$) pricing authority (see Table D1, Web Appendix D). Furthermore, a firm's risk-taking strategy has a significant, negative conditional effect on a salesperson's defensive behavior when the salesperson receives volume-/revenue-based compensation and has either a low (β = −.15, $p < .05$) or medium (β = −.11, $p < .05$) pricing authority. Finally, a firm's risk-taking strategy has a significant, negative conditional effect on a salesperson's defensive behavior when the salesperson receives margin-based compensation and has either a low (β = −.70, $p < .05$) or medium (β = −.42, $p < .05$) pricing authority. Table D2 (Web Appendix D) reports the conditional indirect effect of the firm's risk-taking strategy on the salesperson's sales performance through the salesperson's defensive behavior, varying the compensation type and the levels of pricing authority. The conditional indirect effect of a firm's risk-taking strategy on the salesperson's performance is significant and negative when the salesperson does not receive any outcome-based compensation and has either a medium ($\beta_{\text{indirect effect}}$ = −.07; 95% CI [−.15, −.02]) or high ($\beta_{\text{indirect effect}}$ = −.12; 95% CI [−.24, −.03]) pricing authority. Furthermore, the conditional indirect effect of a firm's risk-taking strategy is also significant and negative when the salesperson receives margin-based compensation and has either a low ($\beta_{\text{indirect effect}}$ = −.13; 95% CI [−.28, −.02]) or medium ($\beta_{\text{indirect effect}}$ = −.07; 95% CI [−.16, −.01]) pricing authority.

Endogeneity-adjusted results

The endogeneity-corrected results in the regression models (Table 5; Model 1 vs. Model 2, Model 3 vs. Model 4, and Model 5 vs. Model 6) reveal no significant copula terms. Prior research suggests that these terms can be viewed as direct endogeneity tests (e.g. Hill et al. 2021), implying that endogeneity biases are unlikely in our case. Moreover, the results remain consistent when we compare models with and without endogeneity treatments. Specifically, the results consistently reveal similar outcomes in terms of signs, effect magnitudes, and levels of statistical significance for all focal effects and hypotheses tests. Against this background, we conclude that endogeneity is unlikely to threaten the results.

Discussion

Salespeople's defensive behavior in price negotiations is a key performance driver that substantially affects firms' profit (Marn, Zawada, and Roegner 2004). In B2B markets specifically, negotiations are the primary approach for determining the terms and conditions for selling goods or services. Thus, understanding what drives salespeople's defensive behavior during price negotiations is important for firms. In this study, we reveal how a firm's risk-taking strategy affects salespeople's perception of the firm's profit orientation, negotiation behavior, and performance. Furthermore, we show how and where sales managers can intervene to attain the intended sales behavior and performance. Specifically, we identify contingencies of the impact of the firm's risk-taking strategy on salespeople's price negotiation behavior.

In two empirical studies, including one large-scale cross-industry survey, we find support for our conceptual framework rooted in the expectancy theory. More specifically, the organizational context represents a factor that might discourage salespeople's efforts on defensive behavior. More specifically, a firm's risk-taking strategy negatively influences salespeople's perceived profit orientation of the firm, thereby decreasing their defensive behavior in price negotiations. Salespeople's instrumentality and expectancy mitigate the negative impact of the firm's risk-taking strategy on their defensive behavior. These results are important for research and practice.

Research contributions

Our contribution to literature is threefold. First, by highlighting the significance of a firm's strategy for salespeople's price negotiation behavior and outcome, we shift researchers' focus to the broader context of organizational factors when analyzing salespeople's behavior. In doing so, we broaden existing negotiation literature on the factors that influence salespeople's defensive behavior in price negotiations and answer calls to examine the impact of organizational factors on salespeople's price negotiations (Herbst, Voeth, and Meister 2011). The impact of a firm's strategy on salespeople's defensive behavior has remained unexplored. This omission is striking as a firm's strategy sets the basis for salespeople's behavior (Zoltners, Sinha, and Lorimer 2008). Furthermore, on an individual level, negotiators' risk-taking propensity is decisive for their negotiation behavior (e.g. Mintu-Wimsatt and Graham 2004). By identifying the firm's risk-taking strategy as a relevant antecedent of salespeople's price negotiation behavior and outcome, we show how the broader context of an organization's characteristics influences salespeople's behavior. However, identifying how the firm's risk-taking strategy affects salespeople's defensive behavior during price negotiations is relevant for negotiation research in particular and sales research in general. Defending a firm's position during negotiations constitutes one of the salesperson's central tasks, in which the salesperson must exert effort and convince customers of the firm's offer. As the results show, a salesperson's defensive behavior positively influences his or her performance. The results indicate that a salesperson's effort to defend their own negotiation position decreases depending on the firm's strategy. Specifically, the firm's strategy influences the salesperson's perception of the profit orientation of the firm and, in turn, the salesperson's effort on defensive behavior. Future research could further explore how organizational factors, especially a firm's strategy, may adversely affect employees' efforts and behavior in a selling context.

Our research also provides insights into the tradeoff between a firm's opportunity-seeking and secure returns on an organizational level. As the study results show, a firm's risk-taking strategy has an indirect negative impact on salespeople's performance through their defensive behavior during price negotiations. By identifying the defensive behavior during negotiations as a relevant mediator between a firm's risk-taking strategy and salespeople's performance, we expand on existing management literature on the relationship between risk-taking strategy and firm performance. A firm's risk-taking strategy is associated with greater innovation

performance (García-Granero et al. 2015) and increased strategic decision speed (Eisenhardt 1989). However, prior studies on the impact of a firm's risk-taking strategy on firm performance have found inconsistent results (Eisenhardt 1989; Hughes and Morgan 2007; Morgan and Strong 2003; Wiseman and Catanach 1997). Salespeople are boundary spanners between the firm and customers and handle price negotiations with clients; therefore, they play a vital role in executing a firm's strategy, and their behavior can significantly affect firm performance. Our study demonstrates how a firm's risk-taking strategy influences salespeople's performance through their defensive behavior in negotiations. Therefore, the effect of a firm's strategy on salespeople's behavior can provide a useful starting point to further assess salespeople's role in successfully implementing a firm's strategy.

Second, we demonstrate how the impact of a firm's risk-taking strategy on salespeople's behavior during price negotiations is contingent on sales-specific control levers. More specifically, drawing on the expectancy theory, we present empirical evidence that salespeople's outcome-based compensation and pricing authority interact with a key strategic element: the firm's risk-taking strategy. Specifically, we highlight the differential moderating impact of various outcome-based compensation types. In the context of a risk-taking firm, profit-based compensation exhibits the most pronounced impact. This finding extends the understanding of how different outcome-based control systems impact salesperson's instrumentality for specific outcomes. Specifically, while existing literature tends to equate outcome-based control with instrumentality (e.g. Miao and Evans 2012), we show that different types of compensation are associated with varying strengths of instrumentality. This more granular perspective provides deeper insights into how specific compensation structures impact salesperson motivation and behavior. In addition, we contribute to the literature on the consequence of delegating pricing authority to the sales force. Several studies have investigated the direct (e.g. Frenzen et al. 2010; Homburg, Jensen, et al. 2012; Joseph 2001) and indirect (e.g. Liozu 2015) impacts of delegating pricing authority to the sales force on salespeople's behavior and performance. In our study, delegating pricing authority has a positive moderating impact on salespeople's defensive behavior. These findings are important as they underscore the need to consider interactions between antecedents of salespeople's defensive behavior when analyzing this topic. For example, researchers should consider the broader context of salespeople's environment when examining the impact of the sales department's control levers, such as the salesperson's pricing authority. Thus, future research could further explore how sales managers should design their sales departments according to organizational factors. Finally, future research should consider salespeople's expectancy and instrumentality from engaging in specific behavior as important contingencies to explain their behavior and the impact of salespeople's organizational context on it.

Third, our research provides theoretical contributions to expectancy theory. Specifically, we develop a theoretical rationale and provide empirical evidence suggesting that salespeople's valence is driven by the organizational context, a topic that has not received considerable attention. Previous research highlights how a salesperson's valence is tied to internal stimuli, such as demographic variables (Dubinsky et al. 1993, Dubinsky et al. 1994, Dubinsky, Anderson, and Mehta 2000), personal characteristics (DeCarlo and Lam 2016), or job characteristics (Miao, Lund, and Evans 2009; Miao and Evans 2012). Our research complements the findings of these studies. We find that a salesperson's organizational context is a driver of valence and subsequent salesperson behavior. This finding is important to researchers applying expectancy theory because it emphasizes the relevance of external stimuli, such as the organizational context (e.g. firm strategy). Specifically, by incorporating the organizational context into the prediction of employees' motivation, researchers can enhance the accuracy of their models and theories, ultimately leading to a deeper understanding of what drives employee motivation and performance. Consequently, we open avenues for future research to explore the influence of organizational context on employee motivation and behavior.

Managerial implications

Our findings have important implications for firms. First, on an organizational level, management needs to be aware that perceived strategic risk-taking has a negative impact on salespeople's defensive behavior during price negotiations with clients. That is, although managers might expect this strategic orientation to strengthen salespeople's tendency to enforce their position in price negotiations and boost performance, it decreases a salesperson's performance instead. As such, our findings are particularly relevant for firms that frequently engage is strategic risk-taking. Strategic risk-taking is increasingly essential for firms navigating the volatile technological advancements and competitive global markets. This strategic orientation is also vital to innovate business models, explore new markets, and adapt to external shocks like climate change and pandemics to remain competitive and successful. Following our investigation, management needs to be aware that the firm's emphasis on strategic risk-taking induces salespeople to reduce the defense of their own position. More specifically, the firm's risk-taking strategy signals to salespeople that the firm does not emphasize the stability and adherence to a specific profit margin in its business operations. As such, the salespeople reduce their effort in defending their position in front of the customer. Thus, the firm's risk-taking strategy might further harm short-term profitability through salespeople's behavior. Because the adverse effect on salespeople's defensive behavior is driven by the *perception* of the firm's strategy, managers should consider the potential situation that salespeople may perceive their firm's strategy as more risk-taking than it is in reality.

Second, our research demonstrates that sales managers play an essential role in a firm's successful implementation of a risk-taking strategy. Sales managers can counteract the detrimental effect of a firm's risk-taking strategy on salespeople's

defensive behavior and improve the firm's enforcement of offers by considering factors related to salespeople's instrumentality and expectancy to defend their position within price negotiations. We recommend that sales managers offer outcome-based compensation when following a risk-taking strategy. In doing so, sales managers incentivize salespeople to prioritize the firm's bottom line. More specifically, outcome-based compensation signals salespeople that the outcome of price negotiations is highly relevant for the management and offsets the impact of a firm's risk-taking strategy. Furthermore, outcome-based compensation provides a financial motivation for salespeople to defend their offers effectively.

Building on that, the results indicate that—among the considered outcome-based compensation types—profit-based compensation is most effective in mitigating the negative impact of a firm's risk-taking strategy on salespeople's defensive behavior. Referring to expectancy theory, we ascribe this result to the enhanced impact of profit-based compensation on a salesperson's instrumentality. Unlike volume-/revenue-based or margin-based compensation, profit-based compensation ties salespeople's rewards to the overall profitability of their sales. Specifically, profit-based compensation integrates sales and the profit margins of those sales, requiring the salesperson to consider both revenue and profit margin in their selling behaviors. By that, firms explicitly signal their salespeople to defend their position in price negotiations in multiple regards, not merely focusing on a single outcome measure (e.g. sales revenue or margin). As such, profit-based compensation further strengthens salespeople's belief that successfully defending the firm's position is necessary to improve personal compensation (i.e. the salesperson's instrumentality). The superiority of profit-based outcome compensation is noteworthy because companies often tend to incentivize sales revenue or volume instead (see Web Appendix C, Figure C1).

Finally, sales managers can delegate pricing authority to the sales force as a further tool to mitigate the negative impact of the firm's risk-taking strategy on salespeople's defensive behavior. Prior research implies that delegating pricing authority might induce salespeople to grant discounts to customers and thus reduce defensive behavior (Frenzen et al. 2010; Homburg, Jensen, et al. 2012; Stephenson, Cron, and Frazier 1979). As our findings indicate, the capability to adjust prices encourages salespeople to put forth effort in defending their own position. Pricing authority strengthens salespeople's belief in successfully defending offers and attaining higher personal compensation. Thus, when salespeople receive outcome-based compensation, pricing authority has a positive indirect impact on their defensive behavior, as it strengthens their expectancy to meet the set objectives and achieve higher personal compensation. However, when sales managers do not pay outcome-based compensation to salespeople, we recommend not delegating pricing authority to the sales force. Without outcome-based compensation, salespeople lack the financial motivation to defend their position. For a firm with a risk-taking strategy, salespeople will take advantage of the ability to adapt prices autonomously and reduce their efforts on defensive behavior.

Limitations and future research

Our investigation has limitations that provide valuable opportunities for future research. First, we focused on one specific dimension of the firm's strategic orientation as an antecedent of salespeople's defensive behavior in price negotiations—that is, risk-taking. We chose this focus given the risks inherent in price negotiations as well as the critical role of risk-taking in many firms. However, future research might consider other dimensions of firm strategy (e.g. according to Venkatraman 1989) and compare their impact on salespeople's negotiation behavior. Second, by relying on a sample exclusively from Germany, our study focused on one geographic region. While this focus has the advantage of reducing potential within-sample cultural confounds, future research could expand on the role of culture and potential cultural differences related to salespeople's negotiation behavior.

Declaration of interest

No potential conflict of interest was reported by the authors.

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