Selling in the New Venture Context: Influencing Buyer Intentions Through the Liabilities and Assets of Newness

By Brian G. Nagy and Mark C. Johlke

In the new venture context, sales success is influenced by the salesperson's ability to effectively impact the buyer's perceptions related to the liabilities and assets of newness. To date, these pre-existing buyer beliefs have only received extremely minimal attention in the sales literature. Given the paucity of research in this area, we describe, in detail, these commonly held buyer perceptions related to new ventures, propose a model describing their function in the initial sale, and conclude with practical guidelines and implications for sales managers and salespeople to consider.

INTRODUCTION

Established organizations employing highly-skilled and well-trained salespeople are likely to experience high organizational performance (Dubinsky, 1996; Pettijohn, Pettijohn, & Taylor, 2007; Weitz, Sujan, & Sujan, 1986). The effects of the skills and the training of sales professionals working in the new venture context are just as important, as the legitimacy and viability of newly started ventures are often dependent on the sales function (Zimmerman & Zeitz, 2002). In fact, during the infancy and adolescent stages of new venture development, professional sales teams are heavily relied upon as usually the only source of financial growth of start-up firms (DeTienne, 2010).

Sales professionals working for nascent or newly founded organizations require a specialized set of cognitive skills and abilities (Brush, Greene, & Hart, 2001). One salient characteristic differentiating selling in the new venture context from selling for established organizations is the increased importance of social skills, as demonstrations of these skills may strongly influence a potential buyer's first impression of the sales professional and the selling firm (Nagy, Pollack, Rutherford, & Lohrke, 2012). Moreover, specialized knowledge and abilities related to the sales profession are also needed in order to manage the perceptions of buyers as they relate to the newness of the firm (Choi & Shepherd, 2005).

Newness in an organizational context is associated with a firm being unknown, unseasoned, and untried. These characteristics are rooted in the age of the venture and are linked to many unique and often threatening circumstances most new ventures face. At the point of founding and throughout the early stages of development, an organization faces the highest potential for failure due to fundamental innate characteristics that define and hinder the performance of all new ventures (Choi & Shepherd, 2005; Shepherd, Douglas, & Shanley, 2000; Stinchcombe, 1965). Generally speaking, this risk may decrease as the organization ages, but only after the careful management of organizational characteristics related to newness (Henderson, 1999). Accordingly, this research focuses a very practical business issue: Given the need to manage these organizational attributes related to newness, what should sales professionals know, and do, in order to minimize the disadvantageous effects of organizational newness as well as to maximize the beneficial effects of organizational newness?

The purpose of this paper is to aid sales managers and salespeople as they understand and manage buyer perceptions of new ventures. First, we describe a set of commonly perceived liabilities and assets of newness. Next, we introduce a model depicting the potential impact of a new firm's salesperson's social and professional skills upon a buyer's perceptions of the liabilities and assets of new firms. We then provide guidelines for sales managers and salespeople as they work to establish a new firm in the marketplace. Lastly, future opportunities for additional research are discussed.

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THE LIABILITIES AND ASSETS OF NEWNESS

In order to ensure the viability of a new firm, sales managers and salespeople representing them must understand how potential buyers' perceptions of new firms can affect the propensity to purchase from them. This understanding must go beyond analyzing historical data and past purchasing trends (Stringfellow, Nie, & Bowen, 2004) and towards what drives potential buyers to initially meet with them, even though their organizations are new. When the effects of organizational newness are understood, efforts to better manage and influence buyer perceptions and intentions can begin.

Perceptions of organizational newness are both detrimental and beneficial. On one end of the spectrum of characteristics of organizational newness are *liabilities of newness*, the firm properties associated with firms being unknown, untested, and inexperienced in the market. At the other end are properties that actually simplify and often further the efforts of individuals representing new ventures. These characteristics, termed *assets of newness*, are the benevolent firm properties resulting from an organizational being novel, distinct, and untried. Though intangible in nature, the effects of these assets can lead to goodwill and psychological commitment, which, in turn, contribute to new venture viability (Brown & Dacin, 1997; Fichman & Levinthal, 1991).

Sales professionals are not affected by all the liabilities and assets of newness discussed in the entrepreneurship, finance, and management literatures. For instance, although its effects may indirectly hinder the sale, the 'lack of start-up funding' is a liability specific to the entrepreneur-potential investor context. Nagy, Blair, & Lohrke (2012) provide a comprehensive review and discussion of the liabilities and assets of newness that may affect organizations that are considered newly-founded or newly-started and currently selling or pre-selling goods and services. Their research serves as an outline for discussing how the applicable liabilities and assets of newness affect sales professionals.

Liabilities of Newness

Liabilities of newness are time-dependent factors that hamper a new venture's likelihood of success and are thought to contribute to high failure rates among new ventures. The liabilities are usually inversely related to the age of an organization and are felt to be important determinants of firm survival (Aldrich & Auster, 1986; Choi & Shepherd, 2005; Zimmerman & Zeitz, 2002). These disadvantages associated with newness are innate; as they will manifest themselves to some degree from the time the venture is conceptualized through the commercialization stage of new venture growth. The liabilities stem from internal organizational factors that couple with circumstances related to key buyer uncertainty to create sometimes unusually nuanced obstacles for new venture sales professionals to minimize.

Lack of legitimacy is one of the most detrimental properties associated with organizational youth and inexperience (Suchman, 1995). Legitimacy is an opportunity-enhancing property or condition that results from stakeholders, like potential buyers, perceiving firms as competent, effective, and worthy of their places in markets. *Legitimacy* in the organizational context is regarded as a condition of low-level acceptability that is attained by new ventures after expectations and claims based on buyer norms and values have been met (Ashforth & Gibbs, 1990; Brown, 1997). Ultimately, legitimacy exists after buyers perceive it and is bestowed upon a new business once that business is taken for granted and deemed worthy of a place in the industry. Without legitimacy, a seller's opportunities to persuade buyers will be limited, and possibly nonexistent, as legitimacy has been found to be a necessary condition that must be met before many types of business transactions occur (Pollack, Rutherford, & Nagy, 2012).

Reliability is defined as the ability to systematically produce consistent results and outputs during multiple time periods, sometimes in multiple settings. In terms of goods sold and services rendered, inconsistencies in output hinder new venture performance, and, in turn, negatively skew buyers' perceptions. A few of the important determinants that contribute to buyers' perceptions of reliability are measurements of product attributes, service time, and information correctness. Acknowledgement of reliability perceptions becomes an extremely important issue for sales professionals to manage if potential clients tend to value reliability more than efficiency or innovativeness (Hannan & Carroll, 1995). Moreover, unreliable production and service methods are thought to increase the mortality risk of new ventures and validate wary buyers' sentiments (Shepherd et al., 2000). New ventures residing in industries where products and services must be tested with low tolerances for error (e.g., medical care products, aviation products) may find it particularly difficult to minimize this liability in rapid fashion. This temporal issue may further deter buyers when being sold to early in the commercialization stage of firm development.

Accountability is the extent to which responsibility has been assigned for operational activities as well as for the outputs of those activities within an organizational context. Documentation of how inputs are converted to outputs and how rework and defects are managed within an organization are commonly thought to be evidence of organizational accountability (Hannan & Freeman, 1984). In addition, buyers may assess accountability levels through certification and signaling methods used by selling firms. For example, standardization programs and quality certifications (e.g., ISO 9000, Ford Motor Company's Q1) are examples of signals used to convey to buyers that accountability levels within an organization are high. Through detailed documentation and explanation of procedures and practices, salespeople can assure buyers that their ventures' production and quality systems are capable of identifying inconsistencies in processes and products, and that the firm has established who is responsible for correcting problems (Briscoe, Fawcett & Todd 2005).

Availability is the condition of possessing desired information, resources, and products at the times they are requested or required. Organizational size and newness play roles in hampering capabilities to bring products and information to market as the market demands them (Aldrich & Auster, 1986). Firms often try to stay as lean as possible with regard to capital expenditures, staff payrolls, and inventories in an effort to control costs when they are new to a particular market. Lean efforts during the infant and adolescent stages of organizational growth may be theoretically correct (Barnard, 1938). However, by attempting to stay lean in the early stage of development new ventures may lack the information, employees, and inventories to satisfy buyer requests. Moreover, when salespeople are selling products and services before startup, availability can be a salient issue. Without an operating history, information and inventory will not be available, thus hampering sales efforts.

Assets of Newness

Assets of newness are also time-specific characteristics of new ventures. However, instead of hindering survival and success, assets of newness are viewed as stocks of intangible distinctions and properties that cast organizations as amicable and malleable in the eyes of buyers, and aid new ventures in their infant and commercialization stages of development (Fichman & Levinthal, 1991). These stocks are viewed as very desirable, particularly among buyers who value innovation, new orientations, and change. As organizations age, they often become engrained in their internal and external processes and relationships, as their stocks of newness fades (Hannan & Freeman, 1984; Hannan & Carroll, 1995). Therefore, maximizing these attractive distinctions of newness is a vital step for most new ventures in the early stages of organizational development.

Organizational energy is a critical asset of newness that facilitates the interactions between new ventures and prospective clientele. Organizational energy is perceived to exist when salespeople and other employees are seen to be working vigorously, enthusiastically, and tirelessly in the pursuit of improving the firm. Organizational members working for new ventures are likely to have more intensely positive, possibly passionate, feelings about their work and about their organizations than those working in older firms (Scitovsky, 1992). *Organizational energy* is the manifestation of passion organizational members display for their organizations and offerings. Buyers are often attracted to organizations that fit their personal values, and sometimes more importantly, their emotions (O'Reilly, Chatman, & Caldwell, 1991). Thus, buyers who are attracted to high-energy, exciting situations and organizations may be motivated to do business with firms when those firms are excited about serving them.

Flexibility in an organizational context is defined as the ability to adapt and modify products and procedures to meet the demands of buyers. Flexibility is the antithesis of routine and habit. As organizations age and become entrenched in their markets, levels of organizational flexibility most often decrease, as the ability of large, rigid firms to produce make-to-order goods and services wanes (Hannan & Freeman, 1984; Aldrich & Auster, 1986). However, new organizations may be able to develop competitive advantages in the infancy and commercialization stages of development by demonstrating the ability to quickly respond to changing competitive conditions in the market (Hitt, Hoskisson, & Harrison, 1991; Sanchez, 2007).

SOCIAL AND PROFESSIONAL SKILLS

Research within the area of liabilities and assets of newness suggests that these organizational attributes are able to be managed (Delmar & Shane, 2004; Henderson, 1999; Suchman, 1995). Management of the liabilities and assets of newness during the selling process is likely facilitated by specific social and professional skills related to selling. In general, *skills* are proficiencies related to specific behaviors that are enacted during a specific time (e. g., operating a vehicle during a race, editing text). *Social skills* are proficiencies enabling persons to interact well with others. In the case of selling, social skills enhance interpersonal relationships with buyers. Professional skills are defined as those proficiencies learned and honed that enable someone to better perform a specific duty or task. *Professional skills* demonstrated in the selling process heighten performance significantly (Verbeke, Dietz, & Verwaal, 2011).

Social Skills

A number of social skills may be specifically helpful for sales professionals to demonstrate when selling in the new venture context. First, the ability to perceive a buyer's intentions, motives, moods, and emotions may be particularly important, especially as they relate to the "newness" of the new venture (Baron & Markman, 2003). Given the many deterrents to doing business with a new venture (e.g., lack of reliability and quality information, short history of performance) the probability is high that a potential buyer's emotions and intentions will waver through the selling process.

The ability to create a good first impression is also very important when meeting someone for the first time (Giacalone & Rosenfeld, 1989). In the new venture setting, the importance of the first impression is amplified based on the lack of knowledge about the seller and the new venture. Sellers able to utilize ingratiation, exemplifying, and self-promotion behaviors stand to convince a significant number of buyers that their products and services are legitimate, based on positive perceptions related to the seller (Nagy, et al., 2012).

In addition, given the many uncertainties that relate to a new venture and its offerings, the ability to not only perceive and understand buyer concerns, but to persuade and influence the buyer, is of paramount importance (Baron & Markman, 2003). The ability to change a buyer's views in face-to-face encounters, especially if the venture is new, could be the most important social skill demonstrated by sales professionals (Brush et al., 2001).

Professional skills

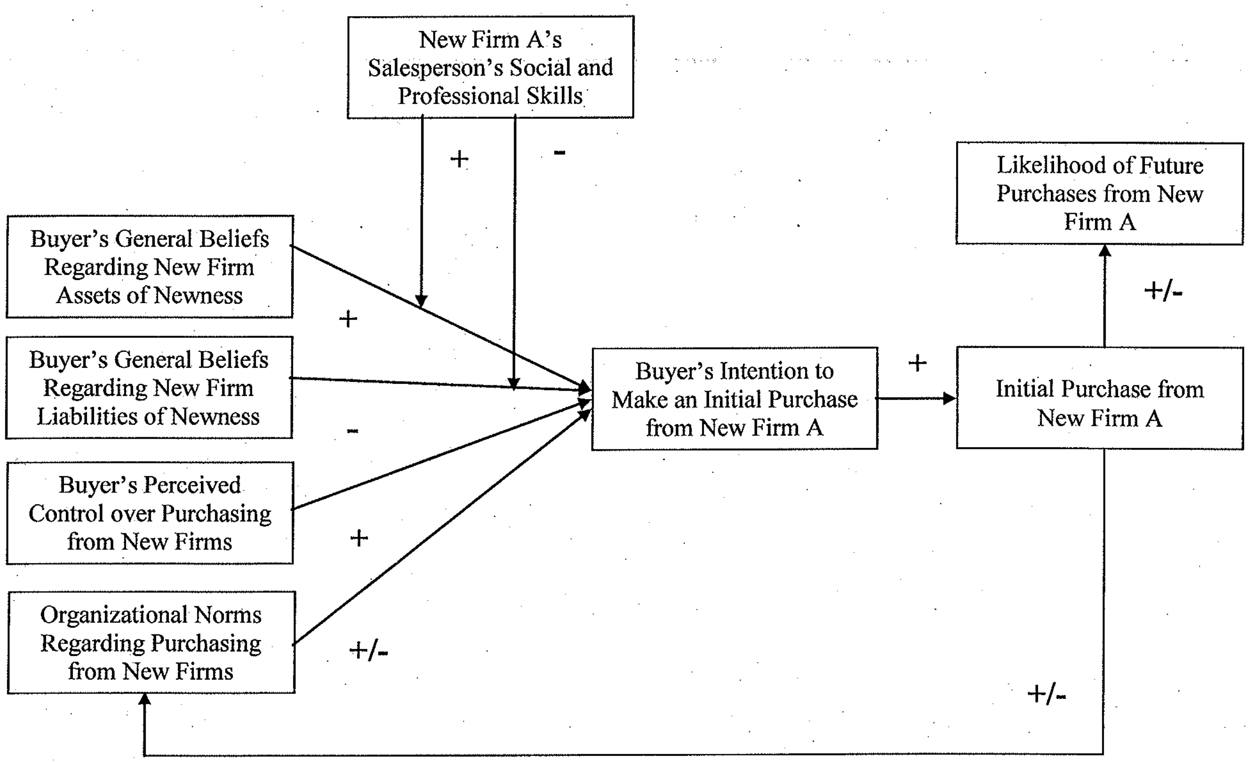
Though persuasion attempts rely significantly on social skills, the impact of professional sales skills utilized to "close the deal" are arguably equally important. Various professional selling skills also aid the efforts of sales professionals. Research suggests a positive relationship exists between adaptive sales skills and sales performance (Johlke, 2006). As the intentions and moods of a buyer sway, the importance of adapting and properly utilizing various selling behaviors increases. Likewise, properly asking for the sale (i.e., closing the sale) has also been shown to be a very important correlate with sales performance (Johlke, 2006). This professional skill related to the close, coupled with the social skill of proficiency persuading, better ensures the sale and the viability of the new firm.

A recent meta-analysis reports that selling skills and sales process knowledge are significant predictors of sales performance (Verbeke et al., 2011). Specifically in the new venture context, what may be most relevant are those professional skills needed to enhance the understanding of the benefits of doing business with a new venture, as well as those skills needed to explain and reassure that any potential future problems directly related to the newness of the firm will be dealt with and remedied quickly and effectively. Moreover, if newness is mentioned by the buyer as a point of concern, explaining that the new venture is aware of potential issues that may stem from its product or service being untried and untested, in addition to knowing the firm's contingency plans, are extremely important.

THE PROPOSED MODEL

In order to fully explain the relationships among salespersons' social and professional skills, buyers' perceptions of the liabilities and assets of newness, and buyers' intentions to make initial purchases, we employ Azjen's (1985, 1991) Theory of Planned Behavior (TPB) as a framework for developing our proposed model. The model is shown in Figure 1.

FIGURE 1: THE PROPOSED MODEL



In this model, social and professional selling skills are seen to impact the relationship between the buyer's existing beliefs regarding the liabilities and assets of new firms and that buyer's existing attitude related to making an initial purchase from that particular new firm. The buyer's intention to make an initial purchase from a particular new firm is further affected by that buyer's overall perceptions of the amount of control he or she has over making a purchase from a new venture and the existing norms in the buyer's organization regarding purchasing from new firms. In turn, the buyer's intent to make an initial purchase from the new venture has an effect on the likelihood the initial purchase will be made. If an initial purchase is made, the buyer may develop an overall positive evaluation of the purchase that will not only influence the likelihood of the buyer making additional future purchases from that organization, but may also impact the buyer's norms regarding future purchases from other new ventures.

MANAGERIAL IMPLICATIONS

Through sales promotion activities and sales force training efforts, sales managers can both directly and indirectly influence a buyer's intention to make an initial purchase. Traditionally, salespeople from both new and established firms have been trained to focus their efforts primarily on influencing the buyer's immediate purchase decision-making process through traditional selling activities. However, when the selling organization is new, its salespeople should also attempt to influence the relationships between the buyer's existing beliefs regarding liabilities and assets of newness and purchase intent. Given buyer beliefs regarding the benefits and disadvantages associated with purchasing from new ventures, influencing the impact of these beliefs on the buyer's intention to purchase is crucial. Therefore, a potentially impactful means to influence the initial purchase intention of buyers is for new venture sales managers to develop and implement a comprehensive program of very specific actions designed to enhance the professional skill levels of salespeople, and eventually moderate the effects of the buyer's existing beliefs regarding the liabilities and assets of newness.

Ideally, all elements of this program to assist the sales force in influencing buyer perceptions of the liabilities and assets of newness would be developed early in the new firm's existence. Yet, such a program could be implemented at any time sales managers deem it beneficial (e.g., establishment of a new business unit, creation of a joint venture). While the particulars of the program will depend upon the firm, industry, salespeople, and business situation, the suggested general elements of it are illustrated in Figure 2.

FIGURE 2: ELEMENTS OF A PROGRAM FOR MANAGING NEW FIRM LIABILITIES AND ASSETS

	Liabilities of Newness	Assets of Newness
Managerial Actions	• Address at Organizational Level • Create Awareness • Training • Coaching • Rewarding	• Address at Organizational Level • Create Awareness • Training • Coaching • Rewarding
Salesperson Actions	• Explain and Reassure • Indirectly Address and Explain o Key Employee Background o Specific Actions Taken to Address Potential Liabilities	• Highlight and Enhance • Directly Address and Explain Availability of Each Asset During o Need Discovery o Presentation

Such a program (hereafter referred to as the Program for Managing Liabilities and Assets of Newness, or PMLAN) can be divided into two major sections: managerial actions and salesperson actions. Each of these can be further divided into those actions aimed at addressing the buyer's perceptions of the liabilities and assets characterizing new firms. In general, people more acutely feel and thus focus upon the potential for losses than gains (Kahneman & Tversky, 1979), and so an assumption associated with the PMLAN is that sales professionals should first focus on minimizing

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