

The role of performance reward in driving dealers' divergent investments in service and sales

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Abstract

Servitization is a trend in manufacturing industries. However, little is known about how manufacturers can stimulate their dealers to act in concert in the servitization progress. Do all the dealers serving a manufacturer embrace servitization to the same degree? Grounded in the behavioral theory of the firm, we propose a disparate picture of dealers altering their service engagement after obtaining different levels of reward from the manufacturer. Specifically, low-rewarded dealers act more conservatively in servitization engagement by investing more in sales, while high-rewarded dealers are more proactive in engaging in servitization by investing more in service. In addition, multi-level contingency factors, including local reward dispersion and local economic growth, alter the baseline relationship between dealers' reward relative to their aspirations and service engagement. We employ an archival dataset of the dealer network of a major automobile manufacturer to empirically test our hypotheses. The results lend general support to the hypotheses.

Keywords: *Dealer reward; Performance aspiration; Behavioral theory of the firm*

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