Sales Leadership Behaviors: Does the Environment Matter?

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Abstract

The provision of sales force leadership has been recognized as one of the most crucial issues for future organizational success. Despite its importance, however, there have been few systematic attempts to explore the relationship between the type of sales leadership (i.e., transformational vs. transactional) and the environment in which the organization operates. As such, our knowledge on when each type of leadership is appropriate remains sparse. Against this backdrop, the present study seeks to examine whether a series of environmental dimensions influence the type of leadership that sales executives pursue. Based on a large scale mail survey comprising one hundred and seventy business-to-business firms, the authors develop a conceptual framework to explore these linkages. The study's findings suggest that environmental dimensions influence each style of leadership in a different manner. Theoretical and managerial implications are drawn.

Introduction
Developing effective leaders continues to receive attention from both academicians and practicing managers. This is not surprising given that leadership has been associated with increases in performance and with a myriad other implications for the effective functioning of an organization (e.g., MacKenzie, Podsakoff, and Rich 2001; Wieseke et al., 2009). This recognition, however, comes with the realization that few studies have investigated how leadership operates at the boundary of an organization, namely at the customer contact point (Ingram et al. 2005). One such customer contact point for many business-to-business (BtoB, hereafter) firms is the sales force, which quite often constitutes the primary way of going-to-market. Moreover, the limited number of studies conducted to date has largely focused on the consequences of leadership, thus paying less attention to its antecedents (e.g., MacKenzie, Podsakoff, and Rich 2001; Teas, 1983; Tyagi, 1985). As such, research efforts to improve knowledge in this area could provide useful managerial insights into what form of leadership is needed and under what conditions. Against this backdrop, the present study seeks to explore the impact of various dimensions of a firm's external environment on the type of leadership utilized.

Theory and Research Framework
Transformational vs. Transactional Leadership
The provision of sales force leadership has been recognized as one of the most crucial issues for future sales force and organizational success (Ingram et al., 2002; 2005). Among the various leadership models that have been presented in the sales literature, the model of transformational/transactional leadership appears to be a highly promising approach for managing people in general (Tejeda, et al., 2001) and salespeople in particular (Dubinsky et al., 1995). Burns (1978) first introduced the concept of transformational leadership in his treatment of political leadership and delineated the process by which leaders affect radical change in the outlook and behavior of followers. Bass (1985) developed a comprehensive theory of transformational leadership based on Burns conceptualization. Since its introduction and delineation, transformational leadership has proven to be very popular as evidenced in the number of studies conducted in literally every organizational setting and context (cf. Judge and Piccolo, 2004).

Transformational leadership represents the most active/effective form of leadership, a form in which leaders are closely engaged with followers, motivating them to perform beyond their transactional agreements. It typically involves inspiring followers to do more than originally expected by recognizing and satisfying their higher order needs (Bass, 1985). Transformational leaders fundamentally change the values, goals, and aspirations of followers, so that they perform their work because it is consistent with their values. They identify and arouse their followers' current and long-term considerations including those that are dormant or of a higher order. As a result, subordinates are motivated, energized and encouraged to surpass their own personal objectives for the sake of the organization (Comer et al., 1995). TL consists of six key dimensions (cf. Podsakoff et al., 1990; Schriesheim et al., 2007): (1) articulating a vision, (2) providing an appropriate model, (3) fostering the acceptance of group goals, (4) high performance expectations, (5) individualized support and (6) intellectual stimulation.

The first transformational dimension, "*articulating a vision*", refers to the behavior exhibited by leaders and which is targeted at identifying opportunities for an organization and using a vision of the future to inspire others through the development and articulation of this vision. The second TL dimension "*providing an appropriate model*", involves the leader setting an example for subordinates that is consistent with the values the leader espouses. The third dimension, "*fostering the acceptance of group goals*", involves leader behavior aimed at

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promoting employee cooperation with each other in order to achieve a common goal. The fourth dimension, "*high performance expectations*", refers to the leader expectations of high performance, quality, and standards of excellence on the part of the followers. The fifth dimension, "*providing individualized support*", refers to the behavior on the part of the leader that indicates that s/he respects followers and is concerned about their personal feelings and needs. Finally, "*intellectual stimulation*", is the leader's behaviors that challenge followers to re-examine some of their basic assumptions regarding how they should perform their working activities.

In contrast, transactional leaders typically engage in traditional leader activities such as "*contingent reward*" or "*contingent punishment*" behaviors that are oriented towards subordinates' results (Podsakoff et al., 1990). Basically, these behaviors reflect an exchange notion, in that leaders provide rewards or punishments in return for the subordinates' efforts.

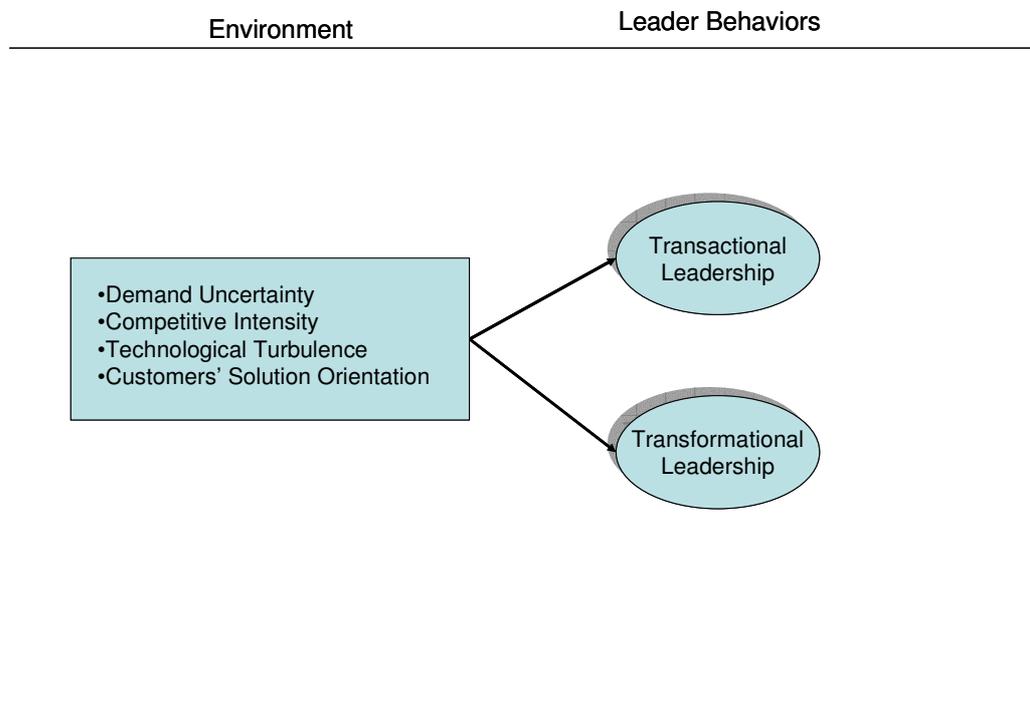### *Leadership in its Context*
Prior studies have examined the relationship between leadership and subordinates' outcomes as if leadership was independent of its context or existed in a vacuum (Osborn et al., 2002; Shamir and Howell, 1999). Unfortunately, existing leadership research is mostly unintegrated with the context in which an organization operates, and leadership is severed from the organizational processes (Pawar and Eastman, 1997; Porter and McLaughlin, 2006). Indeed, theoretical and empirical research on the role of context in the development of leadership is extremely rare (Conger, 1999; Rubin, et al., 2005). As noted by Osborn et al., (2002), however, leadership is embedded within the environment, structure and technology of organizations. Therefore, research in this domain needs to focus on examining an array of contextual variables that may influence a manager's opportunity to engage in leadership behaviors (Bommer et al., 2004; Pillai and Meindl, 1998). Leadership may be facilitated by some contexts and inhibited by others (Pawar and Eastman, 1997; Shamir and Howell, 1999). As Perrow (1970, p. 6) noted "…*leadership style is a dependent variable which depends on something else. The setting or task is the independent variable*". We should stress that "context" is a rather broad concept and can be described along the dimensions of the organization's external and internal environment (market, competition, organizational structure, culture, technology etc.). In order to conduct a focused investigation, however, our emphasis here is on the influence of the external environment. Our choice of external environment is grounded on its significance as well as on its relevance for studying the effects of leadership behaviors in a sales management context. Based on these considerations, we contend that a radical change in perspective is necessary that will integrate leadership and external environment in a sales force context. Consequently, we propose that a firm's external environment impacts the choice of sales executives regarding the type of leadership that will be adopted. This proposition is theoretically based on institutional theory (DiMaggio and Powel, 1990). Four dimensions of the external environment were selected based on their importance in prior marketing studies (e.g., Jaworski and Kohli, 1993; Jayachandran et al. 2005; Tuli, Kohli, and Bharadwaj 2007). In particular, the dimensions comprise (a) the demand uncertainty, (b) the competitive intensity, (c) the technological turbulence, and (d) customers' solution orientation. The conceptual framework depicting the constructs and their interrelationships is displayed in Figure 1.

Research method
Instrument development
Multi-item measures were generated on the basis of previous research on the constructs of interest. The questionnaire was initially designed in English. To ensure translation equivalence, one bilingual person translated the questionnaire into Greek and a second back-

translated into English. The original and back-translated versions were compared for conceptual equivalence, and translation was refined when necessary. The resulting Greek version was subsequently pretested and further refined on the basis of feedback obtained from field-based interviews with 14 sales executives.

Environment   Leader Behaviors

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  ┌─────────────────────────────────┐              ╭───────────────╮
  │ •Demand Uncertainty             │          ╱   │ Transactional │
  │ •Competitive Intensity          │         ╱    │ Leadership    │
  │ •Technological Turbulence       │────────<     ╰───────────────╯
  │ •Customers' Solution Orientation│         ╲
  └─────────────────────────────────┘          ╲   ╭────────────────╮
                                                 ╲  │ Transformational│
                                                    │ Leadership      │
                                                    ╰────────────────╯
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Figure 1. Conceptual Framework

Construct measurement

Transformational and transactional leadership were measured with seventeen and five items, respectively, drawn from the work of Podsakoff, MacKenzie, Moorman, and Fetter (1990). According to prior studies, the scale has been shown to possess acceptable psychometric properties (e.g., MacKenzie et al. 2001). Consistent with prior research (Dubinsky et al., 1995) we combined the six dimensions of transformational leadership and the two dimensions of transactional leadership to create two variables measuring the two underlying leader behaviors. Technological turbulence, demand uncertainty, and competitive intensity were each measured with three, three, and four items, respectively, all drawn from prior work (Jaworski and Kohli, 1993; Jayachandran et al., 2005). Customer's solution orientation was developed for the purposes of this study and was measured with three items.

Respondents and data collection

Data were collected by means of a large-scale mail survey to senior sales executives (SSEs). A stratified sample of 940 business-to-business firms operating in Greece was drawn from a commercial mailing list. Stratification was based on standard industrial classification codes (SIC) with the aim to reflect responses from a variety of sales environments and thus maximize generalizability. Initial telephone calls identified informants with an overview of the selling function in their firms. Informants received a research packet containing the survey instrument, a personalized cover letter, and a postage-paid reply business envelope. We assured participants of the confidentiality of both respondent and firm identities. Two follow-up telephone calls were made to increase response rate. A total of 170 usable questionnaires were returned, for a response rate of 18%, which is typical of surveys involving senior managers (e.g., Homburg, Jensen, and Krohmer, 2008). The sample of SSEs can be described as follows: The respondents had an average sales management experience of 11 years, the

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vast majority of them (87%) were male, most (87%) had a bachelor or master's degree, the average age of respondents was 42 years old, while the average job tenure within the same company was 10 years. Moreover, responding companies were operating in pharmaceuticals (9.4%), fast moving consumer goods (28.8%), durable consumer goods (11.2%), services (29.4%), and industrial equipment (21.2%) industries. Finally, companies were employing 433 employees on average. Nonresponse bias was tested by comparing early vs. late respondents on all perceptual constructs (Armstrong and Overton 1977). Late respondents were those that replied after the follow-up reminders. No significant differences were detected between the two groups (p > .05), a finding that speaks against a systematic bias.

Analysis and results
Measure assessment
Given the large number of reflective indicators for the latent constructs in relation to the sample size, we evaluated measurement properties by running two covariance-based CFAs. The first CFA include transformational and transactional leadership scales, whereas the second CFA include the four dimensions of external environment, namely technological turbulence, demand uncertainty, competitive intensity, and customers' solution orientation. The overall fit of the first measurement model was good, as evidenced by the following fit indices: standardized root mean square residual (SRMR) = .06; root mean square error of approximation (RMSEA) = .07; 90% confidence interval for RMSEA (.03; .11); comparative fit index (CFI) = .96; and non-normed fit index (NNFI) = .97. Similarly, the second measurement model fitted the data adequately well: SRMR = .05; RMSEA = .06; 90% confidence interval for RMSEA (.03; .08); CFI = .97; and NNFI = .97. In addition, each indicator loaded significantly on its hypothesized latent construct, which demonstrates convergent validity. Average variance extracted (AVE) for each of the reflective measures is greater than the shared variance between any pair of measures, thereby satisfying the most stringent criterion of discriminant validity (Fornell and Larcker, 1981). Specifically, AVE values ranged from .53 to .78. Finally, the constructs' composite reliabilities (CRs) ranged from .72 to .91, higher than the accepted reliability threshold of .70, thus providing support for the internal consistency of the measures. Overall, the measures used in this study possess adequate psychometric properties to allow for meaningful conclusions to be derived.

Results
Multiple regression was employed for hypothesis testing. In particular, each leader behavior was regressed on the four environmental dimensions. The results from the regression analyses are reported in Table 1. Multicollinearity was tested by calculating the variance inflation factors (VIF) for each predictor variable and for each regression equation. The largest VIF was 1.106, significantly lower than the recommended cut-off value of 10 (Neter, Wasserman, and Kutner 1990), thereby indicating that multicollinearity is not an issue in this study.

As shown in Table 1, environmental variables have a different influence on the two leadership styles. Regarding transformational leadership, the results show that the largest influence comes from customers' solution orientation (γ = .27), which is followed by competitive intensity (γ = .20) and technological turbulence (γ = .15); however, the influence of demand uncertainty on this type of leadership is not significant (γ = -11). In contrast, the largest influence on transactional leadership stems from competitive intensity (γ = .30), followed by the positive effect of technological turbulence (γ = .20) and the negative influence of demand uncertainty (γ = -.20). Moreover, customers' solution orientation does not appear to exert a significant influence on this type of leadership (γ = -.02).

	Leader Behaviors	
Predictor Variables	Transformational Leadership	Transactional Leadership
Technological turbulence	.15*	.20*
Demand uncertainty	-.11	-.20**
Competitive intensity	.20**	.30**
Customers' solution orientation	.27**	-.02
F-value	8.962**	7.207**
R-squared adjusted	16.2%	13.0%
Largest VIF	1.106	1.102

Notes: coefficients in cells correspond to standardized coefficients.
* $p < .05$
** p. 01

Table 1. Regression Analysis:
The Effects of External Environment on Leader Behaviors

Discussion and Implications

What type of leadership is appropriate for managing sales employees working at the boundary of BtoB organization? How does the external environment impact on the type of leadership sales executives choose to integrate into their working activities? These are important questions that this study sought to address. More analytically, a first intriguing finding of our study is related to the finding that the choice of leadership style depends on the nature of the environment that an organization is competing into. This represents a novel finding in that it frames leadership research into its environmental context, which has been overlooked in prior studies. Although prior research seems to uniformly suggests that transformational leadership should be pursued, our study tells managers that this might not be always feasible. Specifically, the choice of leadership may be dependent on the structure of market and customer demands that sales executives face. This finding has important ramifications for sales leadership research since it informs theory that transformational leadership may not be equally applicable into all environments. Thus, sales executives may be forced to adopt a specific leader behavior not only on the basis of personality idiosyncrasies but also depending on the environment that they operate.

Transformational leadership appears to be a particularly well-suited type of leadership for managers working with customers that demand solutions tailored to their needs. Considering the ever increasing importance of providing solutions to customers (Tuli, Kohli, and Bharadwaj 2007), it might be appropriate to adopt a more transformational leadership style in order to effectively cope with customer demands for customization and solution provision.

In contrast, customers' demandingness for solutions is not a predictor of transactional leadership behaviors. Managers adopting such type of leadership appear to do so primarily because of their perceptions of intense competition in their market. This finding, however, may be signaling that transactional leadership, through rewarding and punishing salespeople for their achievements, constitutes a managerial reaction to competitive threats. Finally, demand uncertainty (i.e., the unpredictability of demand) seems to reduce a manager's propensity to engage in transactional leadership behaviors, presumably because under such difficult and unpredictable market conditions sales executives will avoid to be engaged in either rewarding or punishing subordinates for their sales outcomes.

In spite of the insights gained from our study, however, our findings are tempered by certain limitations. First, the study took place in one country. As such, it is difficult to generalize findings to other countries, especially those characterized by diametrically opposite cultural conditions. Thus, future studies should investigate our framework in other countries. Second, all data come from a single source, thereby rendering the need for future studies utilizing multiple data sources. Finally, our framework could be enriched by studying other environmental characteristics, which were not included in the present investigation. Along these lines, it might be also fruitful to examine whether variables from an organization's internal environment, such as formalization, customer orientation, structural characteristics and degree of autonomy, exert an influence on the type of leadership that sales executives choose. It is our hope that our study will stimulate future research in the area.

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