

How is Your Boss? Impact of Transformational Leadership Behavior of Manager on Customers' Selling Orientation-Special Reference to Corporate Banking Sector in Sri Lanka

Nalin Abeysekera ^{1*} Ananda Wickramasinghe ²

1. Faculty of Graduate Studies, University of Colombo
 2. School of Management and Marketing, Central Queensland University, Australia
- * E-mail of the corresponding author: nalinabeysekera@gmail.com

Abstract

Selling is paramount important in marketing and considered as a lifeblood in marketing. Customer oriented selling plays a vital role in this regards .On the other hand, managers need transformational leadership behavior to manage sales staff. This study aims to integrate the concept of customer orientation and transformational leadership of a manager by conceptualizing the concepts in Sri Lankan corporate banking sector. Responses were gathered via a questionnaire survey from a sample of 100 managers and 100 customer relationship officers(CRO). The results provide evidence for the significant relationship between transformational leadership of a manager and their customer orientation.

Key Words-Transformational Leadership, Customer Orientation selling Orientation (SOCO),Customer Relationship Officer(CRO),Sri Lanka

1.Introduction

Hence it is useful to understand the buyer and his/her behavior first to forecast the reflection of his/her action. According to Saxe and Weitz (1982), salespeople who are customer-oriented take actions aimed at increasing long-term customer relationship and avoid actions that increase the probability of an immediate sale at the expense of sacrificing customer interests. On the other hand, the concept of transformational leadership can be considered as very important. Dubinsky *et al.* (1995), in the initial investigation of transformational sales leadership, hypothesized a positive correlation between transformational sales manager behavior and follower sales performance. In Sri Lanka, the banking sector is considered as important as per as the contribution made by the sector to the Gross domestic product is 8.9%. In the financial sector, Licensed Commercial Banks (LCB) always play a significant role as in 2010, 44.4% of the total assets of the financial sector (2969 billion out of 6690 billion total assets) were owned by them (Central bank Report,2011). Hence there is a need to understand a better complete strategy for the sector for sustainable competitive advantage. The following research objectives can be drawn from this argument:

“To identify the relationship between customer orientation of salesperson and Transformational Leadership of manager” To understand and review the theories and the relationships in concepts, variables and constructs followed by a conceptual framework.

2. Literature Review

Corporations spend millions trying to build generalized selection profiles of the “ideal” salesperson on the assumption that a successful set of competencies, personality dimensions, and skills that span the entire spectrum of selling situations (Rackham and Devincentis,1999). Hence salesmen are crucial in any organization and can be considered as the real cutting edge of marketing success (Bijoor 2004). According to Williams and Attaway (1996), the firm’s marketing success is largely dependent upon the sales force, because these individuals are the ones who have the most “immediate influence on customers.” The most important method by which the marketer may manage the “buying experience” is through the implementation of customer-oriented sales tactics (Crane, 1991; Sharma, 1997). A better market orientation needs better customer orientation. More importantly, Saxe and Weitz(1982) observed customer oriented selling as key for any business. According to them customer-oriented selling is a way of doing business on the part of salespeople. The term refers to the degree to which salespeople practice the marketing concept by trying to help their customers make purchase decisions to satisfy customer needs. Highly customer-oriented salespeople engage in behaviors aimed at increasing long-term customer satisfaction. In addition, they avoid behaviors which might result in customer dissatisfaction. Thus, highly customer-oriented salespeople avoid actions which sacrifice customer interest to increase the probability of making an immediate sale. The selling concept in a company corresponds to a low level of customer orientation in a salesperson (Saxe and Weitz,1982).

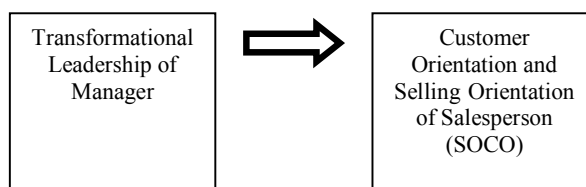
On the other hand, research based on general management literature defines transformational leadership as a superior leadership performance that occurs when leaders broaden and elevate the interests of their employees when they generate awareness and acceptance of the purposes and mission of the group, and when they stir their employees to look beyond their own self interest for the betterment of the group (Bass 1990). Furthermore, according to (Krishnan,2001) Transformational leaders broaden and change the interests of their followers, and generate awareness and acceptance of the purposes and

mission of the group. They stir their followers to look beyond their self-interest for the benefit of the group. Transformational leaders throw themselves into a dynamic relationship with followers who feel elevated by it and become more active themselves (Krishnan, 2001). Hence the relationship between leaders and followers can be well understood. Interestingly Mackenzie, Podsakoff, and Rich (2001) found that transformational leadership influences salespeople to perform beyond the call of duty and that transformational leadership behavior has a much stronger predictive ability for all types of salesperson performance than transactional leadership behaviors. Sales managers could best establish customer oriented salespeople by creating workplace goals and values that are consistent with the values of the salespeople. In a sales setting, Dubinsky et al. (1995) recognized that subordinate salespeople guided by transformational leaders become better problem solvers and often develop enhanced thought processes that heighten their confidence in their abilities to complete work. Finally, both Dubinsky et al. (1995) and Bass (1997) proposed that transformational sales leaders magnify the impressions made by sales associates in an organization.

3. Research Methodology

By using the documentary evidence and the theoretical explanations with regard to the concepts emerging from the performance gap, the following conceptual framework has been developed for the purpose of this study.

Figure 1. Conceptual Framework



According to this conceptual framework transformational leadership of a manager can be considered as an independent variable. Customer orientation of salesperson (SOCO) can be considered as a Dependent variable. With the evidence of empirical work, the following hypothesis has been formulated for this study.

- **H₁:** *The higher the Transformational Leadership of manager higher will be the selling orientation and customer orientation of salesperson.*

3.1 Definitions of Key Concepts

Transformational leadership refers to four (4) dimensions of Idealized influence or charisma, Inspirational motivation, Intellectual stimulation and Individualized consideration (Avolio and Bass, 1991). *Idealized influence* refers to follower reactions to the leader, as well as leaders' behavior. Followers identify with and emulate these leaders: the leaders are trusted and viewed as having articulated an attainable mission and vision. (Avolio and Bass, 1991). It means communicating important values and a shared sense of purpose to the follower. *Inspirational motivation* refers to the leader who provides symbols and simplified emotional appeal to increase awareness and understanding of mutually desired goals. He/she elevates the follower expectations. The leader increases the optimism and enthusiasm of followers (Avolio and Bass, 1991). *Intellectual stimulation* refers to leaders whose followers are encouraged to question their old ways of doing things or to break with the past. Followers are supported to question their own values, beliefs, and expectations, as well as those of the leader and organization. Followers are also supported to think on their own, addressing challenges, and considering creative ways to develop themselves (Avolio and Bass, 1991). *Individualized consideration* refers to leaders whose followers are treated differently, but equitably, on a one-to one basis. The leader gives personal attention to followers and makes each feel valued and important. Not only are their needs recognized and perspectives raised, but also their means of more effectively addressing goals and challenges are dealt with (Avolio and Bass, 1991).

Customer orientation of salesperson refers to the degree to which salespeople practice the marketing concept by trying to help their customers make purchase decisions that will satisfy customer needs (Saxe and Weitz, 1982). Modified SOCO (Selling Orientation-Customer Orientation) scale of Thomas et al (2001) has been used to operationalize Customer Orientation among salesperson. Data for this study was drawn from 2 questionnaires targeting managers and salesperson. As a sample 100 CROs (salesperson in the corporate banking context has been named as CRO-Customer Relationship Officer) and 100 managers was selected. The analysis was performed by SPSS 13.0. The Linear regression technique was used to test relationship between variables.

4. Data Analysis-testing Hypotheses by using Regression Analysis

A regression analysis was undertaken to test the hypotheses. Enter method has been performed. Table 10 presents, the result of the regression analysis of the hypotheses.

Table 1 Outcome of the Regression Analysis

Hypotheses	Variable	Coefficient β	F	Adjusted R square
Hypothesis	Independent-Transformational Leadership of Manager Dependent-Customer Orientation selling orientation of CRO	0.610	8.968	0.612

Note-Survey Data

It is hypothesized that,

“**H₁**: *The higher the transformational leadership of a manager, the higher will be the selling orientation and customer orientation of salesperson*

.As depicts in table, F-test is statistically significant at 5% level of significance, whereas it indicated 8.968. This means that the model is statistically significant. The adjusted R square is 0.612 and shows a relationship between transformational leadership of manager and selling orientation and customer orientation of salesperson Hence Coefficient Beta is 0. 610, which is significant at 5% level of significance, meaning that the higher the transformational leadership of a manager, the higher will be customer oriented selling of salesperson.

Accordingly, it can be inferred that there is a positive relationship between the transformational leadership of a manager and customer orientation of salesperson.

5. Conclusion and Future Research

It can be observed that there is a positive relationship between transformational leadership and selling orientation and customer orientation. Hence, the findings drawn from the study go in line with other studies as well. Interestingly, Martin and Bush (2006) suggested transformational leadership, empowerment, and specific components of the psychological climate as important predictors of customer oriented selling. Further, Choudhary and Saraswat (2003) revealed that the quality of leaders can be considered as models, especially those who believed that their job was to support their employees, who in turn would provide good customer service. Any relationship between a bank and its customer is historically contractual (by imposing certain obligations on both the bank and the customer) and continuous (until terminated by either party). Various authors have emphasized the rapid changing competitive environment facing the banking industry throughout the world (Turnbull and Gibbs, 1987; Perrien et al., 1993). In the past decades all most all commercial banks have placed an increasing emphasis on establishing and maintaining relationships with their major customers, because of recent changes in competitive and market conditions. Most studies into banking addresses banking relationships as a managerial or on a competitive issue. When taking the banking sector into consideration, Perrien *et al.* (1992) suggested that strong competitive pressure has forced financial institutions to revise their marketing strategies and to stress long-lasting relationship with customers. According to this study transformational leadership can be considered as important for better customer orientation. Hence it can be argued that leaders play a significant role in customer orientation of their salesperson. This research can be further expanded to other areas of services such as leasing, insurance to have a broader perspective.

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