



The moderating effect of managers' leadership behavior on salespeople's self-efficacy



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ARTICLE INFO

Keywords:

Sales
Leadership
Self-efficacy
Salespeople
Transformational
Transactional

ABSTRACT

The authors develop a conceptual framework depicting relationships between salespeople's self-efficacy and customer response (defined as satisfaction, word-of-mouth, loyalty and cross-selling) as moderated by two dimensions of manager leadership behavior. The conceptual framework hypothesized that transactional leadership behavior amplifies the positive association between salespeople's self-efficacy and these four customer response variables. Otherwise, transformational leadership behavior reduces the positive influence of salesperson's self-efficacy on customer satisfaction, word-of-mouth, loyalty and cross-selling. The authors collected data from the main retail companies and distributed a survey questionnaire to 341 customers. These customers were attended by 174 salespeople in the retail segment (electronics products), and these salespeople were managed by 55 managers who supervised the retail stores. The results showed that (i) salesperson self-efficacy has a positive and main effect on customer satisfaction, word-of-mouth, loyalty and cross-selling, (ii) transactional leadership behavior moderates positively the association between salesperson's self-efficacy and customer satisfaction, word-of-mouth and loyalty, and (iii) transformational leadership behavior negatively moderates the association between salespeople's self-efficacy and word-of-mouth. The results are robust to endogeneity concerns, supporting our hypotheses. The original value comes from path-goal theory (House, 1971, 1996), which explains the positive effect of transactional leadership behavior on vendor behavior. Path-goal theory suggests that the leader guides the followers to choose the best paths to reach their goals. Since this guidance happens, it amplifies the influence of self-efficacy. In addition, the second original value originates from the negative effect of transformational leadership (Khoo and Burch, 2008; Kark et al., 2003). Transformational leaders increase follower dependency on their actions and decisions and this dependency reduces the effects of self-efficacy.

1. Introduction

Salesperson self-efficacy offers significant potential benefits for managers, vendors, and customers. Salespeople with high self-efficacy are more confident (Zboja and Hartline, 2012), believe in their own ability to perform a task (Maddux, 2009) and can judge themselves as efficacious in all areas (Schmitz and Ganesan, 2014). These salesperson's characteristics are fundamental for selling activities because he/she is expected to help vendors to offer different and complementary products, such as cross-selling initiative. In addition, salesperson's self-efficacy provides a guide to exceed the needs and expectations from customers, increasing satisfaction and loyalty, and to create value in the sales encounter, generating customer positive word-of-mouth.

At the same time, salespeople encounter motivations in the sales activities since they deal with different manager leadership behaviors

(Wieseke et al., 2011). A sales manager can have a transactional or transformational leadership behavior that can influence salespeople self-efficacy because these “managers display self-confidence and project beliefs such as hope” (Wieseke et al., 2011, p.218). Transactional leadership behavior consists “an exchange between the leader and follower, such that the leader provides rewards in return of the subordinate's effort” (p.118)” and transformational leadership involves “values, goals, and aspirations of followers, so that they perform their work because it is consistent with their values” (MacKenzie et al., 2001, p.118).

Although the positive effects of transformational and transactional are well documented in the literature (DeGroot et al., 2000; Judge and Piccolo, 2004), research has been proposing that transformational leadership behavior can play a dark side in explaining performance (Tourish, 2013). For example, literature showed that transformational leadership increases follower dependency, which had a negative effect

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on follower creativity (Eisenbeiß and Boerner, 2013). Moreover, transformational leadership was negatively related to laissez-faire leadership (Judge and Piccolo, 2004), follow initiative when moderated by autonomy (Den Hartog and Belschak, 2012) and to innovative behaviors of followers, since it reduces employee autonomy (Basu and Green, 1997). While a number of investigations have explored either the positive impact of transactional leadership (Schmitz et al., 2014; Kraus et al., 2015; Wieseke et al., 2009; DeGroot et al., 2000; Lowe et al., 1996) or the inverse effect of transformational leadership (Eisenbeiß and Boerner, 2013; Basu and Green, 1997; MacKenzie et al., 2001; Judge and Piccolo, 2004), no study yet has analyzed the positive and negative impacts of two leadership behavior on self-efficacy—customer response link using multi-level data. This lack of research generates a gap for research.

Because salespeople often work under the monitoring of their day-to-day tasks by the sales manager, the manager leadership can influence the way that salespeople believe in their own ability to perform a task efficiently in order to impact customer intentions. Specifically, since there is a direct negative consequence of transformational leadership (Khoo and Burch, 2008; Kark et al., 2003), we assume that these harmful effects of sales manager leadership behavior can alter the way that salespeople self-efficacy generates customer satisfaction, loyalty, word-of-mouth and cross-selling perception, diminishing the effects.

We anchor our study in the theory of leadership behavior (transformational vs transactional), an effective predictor of leader-follower behavior (DeGroot et al., 2000; Lowe et al., 1996), to examine the different magnitudes that salespeople's self-efficacy creates on consumer response. Our theoretical background for suggesting the negative effect of transformational leadership comes from salespeople-manager dependency (Kark et al., 2003; Eisenbeiß and Boerner, 2013; Dvir et al., 2002). The salespeople-manager dependency decreases the salesperson's motivation. As a result, the self-efficacy in performing activities and attending customers can play a weaker effect on customer response. Otherwise, our reason for suggesting the positive effect of transactional leadership originates from path-goal theory (House, 1971, 1996; Evans, 1970). The path-goal theory helps salespeople in maintaining their beliefs in achieving sales goals, amplifying the positive effect of self-efficacy.

Examining a large-scale, multi-level data set comprising information on 55 sales managers, 174 salespeople, and 341 customers, we find support for the dark and bridge side of leadership behavior. Therefore, this research makes three main contributions to the literature. First, we found that transactional leader behavior strengthens the positive association between salespeople's self-efficacy and customer word-of-mouth, satisfaction and loyalty, but cross-selling. This result is congruent to the point that leader guides the followers to choose the best paths to reach their goals (House, 1971, 1996) and this support intensifies salespeople's self-efficacy in influencing a third level variable, which is consumer response.

Second, we found support for the negative moderating effect of transformational leadership behavior on the relationship between salespeople self-efficacy and customer word-of-mouth (and partially for loyalty). The negative moderating effect of transformational leadership is based on leader dependency (Kark et al., 2003, Silva, Vieira & Agnihotri, 2018), which generates a fear of taking the risk in sales (Brown et al., 2005) and might reduce motivation. These elements tend to discourage perseverance in achieving goals and reduce the positive effects of self-efficacy on customer word-of-mouth and loyalty. Third, we expand the literature that shows the main and direct effect of self-efficacy on performance (Wang and Netemeyer, 2002; Vancouver et al., 2001, 2002; Krishnan et al., 2002) to a two-level relationship, in which salespeople self-efficacy influences customer response.

The remainder of this article proceeds as follows. First, the background topic reviews the relevant theoretical arguments in the literature on the effects of self-efficacy and leadership behavior. Then, the paper presents the conceptual framework and hypotheses concerning

the impact of self-efficacy and the moderating influence of manager leadership behavior on customer satisfaction, word-of-mouth, cross-selling and loyalty. Then, we describe the data collection, the choice for a three-level approach, the model test using hierarchical linear modeling, and the results and suggestion for theory and managers.

2. Background

2.1. Transactional and transformational leadership behavior

We propose that sales managers' leadership serves as a boundary condition of the relationship between salespeople's self-efficacy and customer responses. Sales managers' leadership behavior "involves clearly informing salespeople of their salient job activities, how to perform those activities and how successful performance of those activities can lead to the receipt of organizational rewards" (Dubinsky et al., 1995, p.18). The two leadership behavior dimensions analyzed in this paper are transactional and transformational.

Transactional managers determine and define the goals and work that subordinates need to achieve, suggest how to execute their tasks and provide feedback (Dubinsky et al., 1995, p.19). By providing feedback, transactional managers work together with vendors and help them to develop their responsibilities in order to achieve firm goals and increase performance. Managers may have some bearing on employee diary tasks. For example, if transactional leaders set selling goals such as prospecting new customers, the reward for achieving this goal (a contingent reward) may increase performance (Gong et al., 2009, p.775).

Transactional leadership behavior refers to a "series of exchanges between the leader and the subordinate such that the leader provides rewards" (MacKenzie et al., 2001, p.118). "A transactional leadership style is focused on influencing followers to agree with, accept or comply with the leader in exchange for rewards" (Mullins and Syam, 2014, p.191). In that sense, the leader tries to influence the vendor behavior in different activities for influencing customers and increase sales. The transactional leader provides rewards based on "how salespeople perform in their tasks and their behavior as well as the results they achieve" (Schmitz and Ganesan, 2014, p.65). Sales rewards may be a bonus, additional commissions, participation on profits, trip awards, etc.

Transactional leadership behavior also refers to provide "punishments based on the subordinate's performance" (MacKenzie et al., 2001, p.118) and resources to avoid disciplinary action" (Mullins and Syam, 2014, p.191). Thus, transactional leadership that provides negative feedback is a way of presenting a punishment to the salesperson (Schmitz et al., 2014). In this kind of leadership, the "manager can impose penalties for failure ranging from negative feedback to dismissal" (Podsakoff et al., 2006, p.114). Punishments can be penalties, fines, scolding, loss of commission, loss of earnings and others. Contingent punishment consists "of a variety of forms of negative feedback (e.g. correction, criticism, and/or other forms of punishment) administered by the manager contingent on poor performance" (MacKenzie et al., 2001, p.118).

So, a transactional leadership should balance the positive and negative aspects of supervising the vendor. "When leaders administer rewards and punishments contingent on certain behaviors, they motivate followers by clarifying expectations, identifying the rewards available in return for meeting certain expectations, or correcting them when salespeople do not perform effectively" (Schmitz and Ganesan, 2014, p.65). We believe that by administering rewards and punishments, leaders can balance the facet of managing and motivate followers capability to prosper and reach a higher performance (Bandura, 1982).

Transformational leaders "move beyond effort-reward transactions by exhibiting behaviors to influence followers' values and aspirations" (Mullins and Syam, 2014, p.191). In this kind of leadership, the focus is

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